

[COMMITTEE PRINT]

OCTOBER 25, 2005

1 **TITLE II—COMMITTEE ON EDU-** 2 **CATION AND THE WORK-** 3 **FORCE**

4 **Subtitle B—Higher Education**

5 **SECTION 2101. SHORT TITLE; TABLE OF CONTENTS.**

6 (a) SHORT TITLE.—This subtitle may be cited as the
7 “Higher Education Budget Reconciliation Act of 2005”.

8 (b) TABLE OF CONTENTS.—

Sec. 2101. Short title; table of contents.

PART 1—AMENDMENTS TO THE HIGHER EDUCATION ACT OF 1965

Sec. 2111. References; effective date.

Sec. 2112. Modification of 50/50 Rule.

Sec. 2113. Reauthorization of Federal Family Education Loan Program.

Sec. 2114. Loan limits.

Sec. 2115. Interest rates and special allowances.

Sec. 2116. Additional loan terms and conditions.

Sec. 2117. Consolidation loan changes.

Sec. 2118. Deferment of student loans for military service.

Sec. 2119. Loan forgiveness for service in areas of national need.

“Sec. 428K. Loan forgiveness for service in areas of national need.

Sec. 2120. Unsubsidized Stafford loans.

Sec. 2121. Elimination of termination dates from Taxpayer-Teacher Protection
Act of 2004.

Sec. 2122. Loan fees from lenders.

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“Sec. 428I. Special insurance and reinsurance rules for exceptional per-
formance.

Sec. 2124. Funds for administrative expenses.

“Sec. 458. Funds for administrative expenses.

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Sec. 2126. Additional need analysis amendments.

Sec. 2127. Definition of eligible program.

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- Sec. 2130. Institutional refunds.
Sec. 2131. College access initiative.
“Sec. 485D. College access initiative.
Sec. 2132. Cancellation of Student Loan Indebtedness For Survivors of Victims
of the September 11, 2001, Attacks.
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PART 2—HIGHER EDUCATION RELIEF

- Sec. 2141. References.
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Sec. 2143. Cancellation of institutional repayment by colleges and universities
affected by a Gulf hurricane disaster.
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Sec. 2146. No affect on grant and loan limits.
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Sec. 2148. Expanding information dissemination regarding eligibility for Pell
Grants.
Sec. 2149. Procedures.
Sec. 2150. Termination of authority.

1 **PART 1—AMENDMENTS TO THE HIGHER** 2 **EDUCATION ACT OF 1965**

3 **SEC. 2111. REFERENCES; EFFECTIVE DATE.**

4 (a) REFERENCES.—Except as otherwise expressly
5 provided, whenever in this part an amendment or repeal
6 is expressed in terms of an amendment to, or repeal of,
7 a section or other provision, the reference shall be consid-
8 ered to be made to a section or other provision of the
9 Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

10 (b) EFFECTIVE DATE.—Except as otherwise provided
11 in this part, the amendments made by this part shall be
12 effective on the date of enactment of this Act.

13 **SEC. 2112. MODIFICATION OF 50/50 RULE.**

14 Section 102(a)(3) (20 U.S.C. 1002(a)(3)) is
15 amended—



1 (1) in subparagraph (A), by inserting “(exclud-
2 ing courses offered by telecommunications as defined
3 in section 484(l)(4))” after “courses by correspond-
4 ence”; and

5 (2) in subparagraph (B), by inserting “(exclud-
6 ing courses offered by telecommunications as defined
7 in section 484(l)(4))” after “correspondence
8 courses”.

9 **SEC. 2113. REAUTHORIZATION OF FEDERAL FAMILY EDU-**
10 **CATION LOAN PROGRAM.**

11 (a) AUTHORIZATION OF APPROPRIATIONS.—Section
12 421(b)(5) (20 U.S.C. 1071(b)(5)) is amended by striking
13 “an administrative cost allowance” and inserting “a loan
14 processing and issuance fee”.

15 (b) EXTENSION OF AUTHORITY.—

16 (1) FEDERAL INSURANCE LIMITATIONS.—Sec-
17 tion 424(a) (20 U.S.C. 1074(a)) is amended—

18 (A) by striking “2004” and inserting
19 “2012”; and

20 (B) by striking “2008” and inserting
21 “2016”.

22 (2) GUARANTEED LOANS.—Section 428(a)(5)
23 (20 U.S.C. 1078(a)(5)) is amended—

24 (A) by striking “2004” and inserting
25 “2012”; and



1 (B) by striking “2008” and inserting
2 “2016”.

3 (3) CONSOLIDATION LOANS.—Section 428C(e)
4 (20 U.S.C. 1078–3(e)) is amended by striking
5 “2004” and inserting “2012”.

6 **SEC. 2114. LOAN LIMITS.**

7 (a) FEDERAL INSURANCE LIMITS.—Section
8 425(a)(1)(A) (20 U.S.C. 1075(a)(1)(A)) is amended—
9 (1) in clause (i)(I), by striking “\$2,625” and
10 inserting “\$3,500”; and
11 (2) in clause (ii)(I), by striking “\$3,500” and
12 inserting “\$4,500”.

13 (b) GUARANTEE LIMITS.—Section 428(b)(1)(A) (20
14 U.S.C. 1078(b)(1)(A)) is amended—
15 (1) in clause (i)(I), by striking “\$2,625” and
16 inserting “\$3,500”; and
17 (2) in clause (ii)(I), by striking “\$3,500” and
18 inserting “\$4,500”.

19 (c) COUNTING OF CONSOLIDATION LOANS AGAINST
20 LIMITS.—Section 428C(a)(3)(B) (20 U.S.C. 1078–
21 3(a)(3)(B)) is amended by adding at the end the following
22 new clause:

23 “(ii) Loans made under this section shall, to
24 the extent used to pay off the outstanding principal
25 balance on loans made under this title, excluding



1 capitalized interest, be counted against the applica-
2 ble limitations on aggregate indebtedness contained
3 in sections 425(a)(2), 428(b)(1)(B), 428H(d), 455,
4 and 464(a)(2)(B).”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply with respect to any loan made, in-
7 sured, or guaranteed under part B or part D of title IV
8 of the Higher Education Act of 1965 for which the first
9 disbursement of principal is made on or after July 1,
10 2007.

11 **SEC. 2115. INTEREST RATES AND SPECIAL ALLOWANCES.**

12 (a) FFEL INTEREST RATES.—Section 427A (20
13 U.S.C. 1077a(k)) is amended—

14 (1) in subsection (k)—

15 (A) by striking “, AND BEFORE JULY 1,
16 2006” in the heading of such subsection; and

17 (B) by striking “, and before July 1,
18 2006,” each place it appears in paragraphs (1),
19 (2), and (3);

20 (2) by striking subsection (l); and

21 (3) by redesignating subsections (m) and (n) as
22 subsections (l) and (m), respectively.

23 (b) DIRECT LOAN INTEREST RATES.—Section
24 455(b) (20 U.S.C. 1087e(b)) is amended—

25 (1) in paragraph (6)—



1 (A) by striking “, AND BEFORE JULY 1,
2 2006” in the heading of such paragraph; and

3 (B) by striking “, and before July 1,
4 2006,” each place it appears in subparagraphs
5 (A), (B), and (C);

6 (2) by striking paragraph (7); and

7 (3) by redesignating paragraphs (8) and (9) as
8 paragraphs (7) and (8), respectively.

9 (c) CONSOLIDATION LOAN INTEREST RATES.—

10 (1) FFEL LOANS.—Section 427A(k) (20
11 U.S.C. 1077a(k)) is further amended—

12 (A) in the heading of paragraph (4), by in-
13 serting “BEFORE JULY 1, 2006” after “LOANS”;

14 (B) by redesignating paragraph (5) as
15 paragraph (6); and

16 (C) by inserting after paragraph (4) the
17 following:

18 “(5) CONSOLIDATION LOANS ON OR AFTER
19 JULY 1, 2006.—

20 “(A) BORROWER ELECTION.—With respect
21 to any consolidation loan under section 428C
22 for which the application is received by an eligi-
23 ble lender on or after July 1, 2006, the applica-
24 ble rate of interest shall, at the election of the
25 borrower at the time of application for the loan,



1 be either at the rate determined under subpara-
2 graph (B) or the rate determined under sub-
3 paragraph (C).

4 “(B) VARIABLE RATE.—Except as pro-
5 vided in subparagraph (D), the rate determined
6 under this subparagraph shall, during any 12-
7 month period beginning on July 1 and ending
8 on June 30, be determined on the preceding
9 June 1 and, for such 12-month period, not be
10 more than—

11 “(i) the bond equivalent rate of 91-
12 day Treasury bills auctioned at the final
13 auction held prior to such June 1; plus

14 “(ii) 2.3 percent,
15 except that such rate shall not exceed 8.25 per-
16 cent.

17 “(C) FIXED RATE.—Except as provided in
18 subparagraph (D), the rate determined under
19 this subparagraph shall be determined for the
20 duration of the term of the loan on the July 1
21 that is or precedes the date on which the appli-
22 cation is received by an eligible lender, and
23 shall be, for such duration, not more than—

24 “(i) the bond equivalent rate of 91-
25 day Treasury bills auctioned at the final



1 auction held prior to the June 1 imme-
2 diately preceding such July 1; plus

3 “(ii) 3.3 percent,
4 except that such rate shall not exceed 8.25 per-
5 cent.

6 “(D) CONSOLIDATION OF PLUS LOANS.—
7 In the case of any such consolidation loan that
8 is used to repay loans each of which was made
9 under section 428B or was a Federal Direct
10 PLUS Loan (or both), the rates determined
11 under clauses (B) and (C) shall be
12 determined—

13 “(i) by substituting ‘3.1 percent’ for
14 ‘2.3 percent’;

15 “(ii) by substituting ‘4.1 percent’ for
16 ‘3.3 percent’; and

17 “(iii) by substituting ‘9.0 percent’ for
18 ‘8.25 percent’.”.

19 (2) DIRECT LOANS.—Section 455(b)(6) (20
20 U.S.C. 1087e(b)(6)) is further amended—

21 (A) in the heading of subparagraph (D),
22 by inserting “BEFORE JULY 1, 2006” after
23 “LOANS”

24 (B) by redesignating subparagraph (E) as
25 subparagraph (F); and



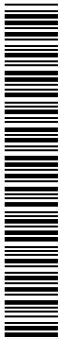
1 (C) by inserting after subparagraph (D)
2 the following:

3 “(E) CONSOLIDATION LOANS ON OR AFTER
4 JULY 1, 2006.—

5 “(i) BORROWER ELECTION.—Notwith-
6 standing the preceding paragraphs of this
7 subsection, with respect to any Federal Di-
8 rect Consolidation Loan for which the ap-
9 plication is received by the Secretary on or
10 after July 1, 2006, the applicable rate of
11 interest shall, at the election of the bor-
12 rower at the time of application for the
13 loan, be either at the rate determined
14 under clause (ii) or the rate determined
15 under clause (iii).

16 “(ii) VARIABLE RATE.—Except as
17 provided in clause (iv), the rate determined
18 under this clause shall, during any 12-
19 month period beginning on July 1 and
20 ending on June 30, be determined on the
21 preceding June 1 and, for such 12-month
22 period, be equal to—

23 “(I) the bond equivalent rate of
24 91-day Treasury bills auctioned at the



1 final auction held prior to such June
2 1; plus

3 “(II) 2.3 percent,
4 except that such rate shall not exceed 8.25
5 percent.

6 “(iii) FIXED RATE.—Except as pro-
7 vided in clause (iv), the rate determined
8 under this clause shall be determined for
9 the duration of the term of the loan on the
10 July 1 that is or precedes the date on
11 which the application is received by the
12 Secretary, and shall be, for such duration,
13 equal to—

14 “(I) the bond equivalent rate of
15 91-day Treasury bills auctioned at the
16 final auction held prior to the June 1
17 immediately preceding such July 1;
18 plus

19 “(II) 3.3 percent,
20 except that such rate shall not exceed 8.25
21 percent.

22 “(iv) CONSOLIDATION OF PLUS
23 LOANS.—In the case of any such Federal
24 Direct Consolidation Loan that is used to
25 repay loans each of which was made under



1 section 428B or was a Federal Direct
2 PLUS Loan (or both), the rates deter-
3 mined under clauses (ii) and (iii) shall be
4 determined—

5 “(I) by substituting ‘3.1 percent’
6 for ‘2.3 percent’;

7 “(II) by substituting ‘4.1 per-
8 cent’ for ‘3.3 percent’; and

9 “(III) by substituting ‘9.0 per-
10 cent’ for ‘8.25 percent’.”.

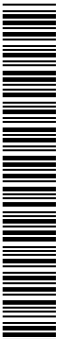
11 (d) CONSOLIDATION LOAN CONFORMING AMEND-
12 MENT.—Section 428C(c)(1)(A)(ii) (20 U.S.C. 1078–
13 3(c)(1)(A)(ii)) is amended by striking “section
14 427A(l)(3)” and inserting “section 427A(k)(5)”.

15 (e) CONFORMING AMENDMENTS FOR SPECIAL AL-
16 LOWANCES.—

17 (1) AMENDMENT.—Subparagraph (I) of section
18 438(b)(2) (20 U.S.C. 1087–1(b)(2)) is amended—

19 (A) by striking clause (ii) and inserting the
20 following:

21 “(ii) IN SCHOOL AND GRACE PE-
22 RIOD.—In the case of any loan for which
23 the first disbursement is made on or after
24 January 1, 2000, and for which the appli-
25 cable interest rate is described in section



1 427A(k)(2), clause (i)(III) of this subpara-
2 graph shall be applied by substituting
3 ‘1.74 percent’ for ‘2.34 percent.’.”;

4 (B) in clause (iii),

5 (i) by striking “or (l)(2)”; and

6 (ii) by striking “, subject to clause (v)
7 of this subparagraph”;

8 (C) in clause (iv)—

9 (i) by striking “or (l)(3)” and insert-
10 ing “or (k)(5)”; and

11 (ii) by striking “, subject to clause
12 (vi) of this subparagraph”; and

13 (D) by striking clauses (v), (vi), and (vii)
14 and inserting the following:

15 “(v) RECAPTURE OF EXCESS INTER-
16 EST.—

17 “(I) EXCESS CREDITED.—With
18 respect to a loan on which the applica-
19 ble interest rate is determined under
20 section 427A(k) and for which the
21 first disbursement of principal is
22 made on or after July 1, 2006, if the
23 applicable interest rate for any 3-
24 month period exceeds the special al-
25 lowance support level applicable to



1 such loan under this subparagraph for
2 such period, then an adjustment shall
3 be made by calculating the excess in-
4 terest in the amount computed under
5 subclause (II) of this clause, and by
6 crediting the excess interest to the
7 Government not less often than annu-
8 ally.

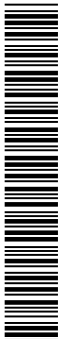
9 “(II) CALCULATION OF EX-
10 CESS.—The amount of any adjust-
11 ment of interest on a loan to be made
12 under this subsection for any quarter
13 shall be equal to—

14 “(aa) the applicable interest
15 rate minus the special allowance
16 support level determined under
17 this subparagraph; multiplied by

18 “(bb) the average daily prin-
19 cipal balance of the loan (not in-
20 cluding unearned interest added
21 to principal) during such cal-
22 endar quarter; divided by

23 “(cc) four.

24 “(III) SPECIAL ALLOWANCE SUP-
25 PORT LEVEL.—For purposes of this



1 clause, the term ‘special allowance
2 support level’ means, for any loan, a
3 number expressed as a percentage
4 equal to the sum of the rates deter-
5 mined under subclauses (I) and (III)
6 of clause (i), and applying any substi-
7 tution rules applicable to such loan
8 under clauses (ii), (iii), and (iv) in de-
9 termining such sum.”.

10 (2) EFFECTIVE DATE.—The amendments made
11 by this subsection shall not apply with respect to
12 any special allowance payment made under section
13 438 of the Higher Education Act of 1965 (20 U.S.C
14 1087–1) before July 1, 2006.

15 **SEC. 2116. ADDITIONAL LOAN TERMS AND CONDITIONS.**

16 (a) FEDERAL DEFAULT FEES.—

17 (1) IN GENERAL.—Subparagraph (H) of section
18 428(b)(1) (20 U.S.C. 1078(b)(1)(H)) is amended to
19 read as follows:

20 “(H) provides—

21 “(i) for loans for which the first dis-
22bursement of principal is made before
23 July, 1, 2006, for the collection of a single
24 insurance premium equal to not more than
25 1.0 percent of the principal amount of the



1 loan, by deduction proportionately from
2 each installment payment of the proceeds
3 of the loan to the borrower, and ensures
4 that the proceeds of the premium will not
5 be used for incentive payments to lenders;
6 or

7 “(ii) for loans for which the first dis-
8bursement of principal is made on or after
9 July 1, 2006, for the collection and deposit
10 into the Federal Student Loan Reserve
11 Fund under section 422A of a Federal de-
12 fault fee of 1.0 percent of the principal
13 amount of such loan, which shall be de-
14 ducted proportionately from each install-
15 ment payment of the proceeds of the loan
16 to the borrower prior to payment to the
17 borrower, and ensures that the proceeds of
18 the Federal default fee will not be used for
19 incentive payments to lenders;”.

20 (2) UNSUBSIDIZED LOANS.—Section 428H(h)
21 (20 U.S.C. 1078–8(h)) is amended by adding at the
22 end the following new sentence: “Effective for loans
23 for which the first disbursement of principal is made
24 on or after July 1, 2006, in lieu of the insurance
25 premium authorized under the preceding sentence,



1 each State or nonprofit private institution or organi-
2 zation having an agreement with the Secretary
3 under section 428(b)(1) shall collect and deposit into
4 the Federal Student Loan Reserve Fund under sec-
5 tion 422A a Federal default fee of 1.0 percent of the
6 principal amount of the loan, obtained by deduction
7 proportionately from each installment payment of
8 the proceeds of the loan to the borrower. The Fed-
9 eral default fee shall not be used for incentive pay-
10 ments to lenders.”.

11 (3) VOLUNTARY FLEXIBLE AGREEMENTS.—Sec-
12 tion 428A(a)(1) (20 U.S.C. 1078–1(a)(1)) is
13 amended—

14 (A) by striking “or” at the end of subpara-
15 graph (A);

16 (B) by striking the period at the end of
17 subparagraph (B) and inserting “; or”; and

18 (C) by adding at the end the following new
19 subparagraph:

20 “(C) the Federal default fee required by
21 section 428(b)(1)(H) and the second sentence
22 of section 428H(h).”.

23 (b) DISBURSEMENT.—Section 428(b)(1)(N) (20
24 U.S.C. 1078(b)(1)(N)) is amended—



1 (1) in clause (i), by inserting “(including an eli-
2 gible foreign institution, except as provided in clause
3 (ii))” after “institution”; and

4 (2) in clause (ii), by striking “or at an eligible
5 foreign institution”.

6 (c) REPAYMENT PLANS.—

7 (1) FFEL LOANS.—Section 428(b)(9)(A) (20
8 U.S.C. 1078(b)(9)(A)) is amended—

9 (A) by inserting before the semicolon at
10 the end of clause (ii) the following: “, and the
11 Secretary may not restrict the proportions or
12 ratios by which such payments may be grad-
13 uated with the informed agreement of the bor-
14 rower”;

15 (B) by striking “and” at the end of clause
16 (iii);

17 (C) by redesignating clause (iv) as clause
18 (v); and

19 (D) by inserting after clause (iii) the fol-
20 lowing new clause:

21 “(iv) a delayed repayment plan under
22 which the borrower makes scheduled pay-
23 ments for not more than 2 years that are
24 annually not less than the amount of inter-
25 est due or \$600, whichever is greater, and



1 then makes payments in accordance with
2 clause (i), (ii), or (iii); and”.

3 (2) DIRECT LOANS.—Section 455(d)(1) (20
4 U.S.C. 1087e(d)(1)) is amended—

5 (A) by redesignating subparagraph (D) as
6 subparagraph (E); and

7 (B) by striking subparagraphs (A), (B),
8 and (C) and inserting the following:

9 “(A) a standard repayment plan, con-
10 sistent with subsection (a)(1) of this section
11 and with section 428(b)(9)(A)(i);

12 “(B) a graduated repayment plan, con-
13 sistent with section 428(b)(9)(A)(ii);

14 “(C) an extended repayment plan, con-
15 sistent with section 428(b)(9)(A)(v), except that
16 the borrower shall annually repay a minimum
17 amount determined by the Secretary in accord-
18 ance with section 428(b)(1)(L);

19 “(D) a delayed repayment plan under
20 which the borrower makes scheduled payments
21 for not more than 2 years that are annually not
22 less than the amount of interest due or \$600,
23 whichever is greater, and then makes payments
24 in accordance with subparagraph (A), (B), or
25 (C); and”.



1 (d) ORIGINATION FEES.—

2 (1) FFEL PROGRAM.—Paragraph (2) of section
3 438(c) (20 U.S.C. 1087–1(c)) is amended—

4 (A) by striking the designation and head-
5 ing of such paragraph and inserting the fol-
6 lowing:

7 “(2) AMOUNT OF ORIGINATION FEES.—

8 “(A) IN GENERAL.—”; and

9 (B) by adding at the end the following new
10 subparagraph:

11 “(B) SUBSEQUENT REDUCTIONS.—Sub-
12 paragraph (A) shall be applied to loans made
13 under this part (other than loans made under
14 sections 428C and 439(o))—

15 “(i) by substituting ‘2.0 percent’ for
16 ‘3.0 percent’ with respect to loans for
17 which the first disbursement of principal is
18 made on or after July 1, 2006, and before
19 July 1, 2007;

20 “(ii) by substituting ‘1.5 percent’ for
21 ‘3.0 percent’ with respect to loans for
22 which the first disbursement of principal is
23 made on or after July 1, 2007, and before
24 July 1, 2008;



1 “(iii) by substituting ‘1.0 percent’ for
2 ‘3.0 percent’ with respect to loans for
3 which the first disbursement of principal is
4 made on or after July 1, 2008, and before
5 July 1, 2009;

6 “(iv) by substituting ‘0.5 percent’ for
7 ‘3.0 percent’ with respect to loans for
8 which the first disbursement of principal is
9 made on or after July 1, 2009, and before
10 July 1, 2010; and

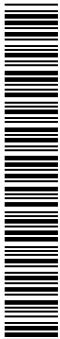
11 “(v) by substituting ‘0.0 percent’ for
12 ‘3.0 percent’ with respect to loans for
13 which the first disbursement of principal is
14 made on or after July 1, 2010.”.

15 (2) DIRECT LOAN PROGRAM.—Subsection (c) of
16 section 455 (20 U.S.C. 1087e(c)) is amended to
17 read as follows:

18 “(c) LOAN FEE.—

19 “(1) IN GENERAL.—The Secretary shall charge
20 the borrower of a loan made under this part an
21 origination fee of 4.0 percent of the principal
22 amount of loan.

23 “(2) SUBSEQUENT REDUCTION.—Paragraph
24 (1) shall be applied to loans made under this part,



1 other than Federal Direct Consolidation loans and
2 Federal Direct PLUS loans—

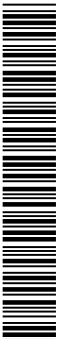
3 “(A) by substituting ‘not more or less than
4 3.0 percent’ for ‘4.0 percent’ with respect to
5 loans for which the first disbursement of prin-
6 cipal is made on or after July 1, 2006, and be-
7 fore July 1, 2007;

8 “(B) by substituting ‘not more or less than
9 2.5 percent’ for ‘4.0 percent’ with respect to
10 loans for which the first disbursement of prin-
11 cipal is made on or after July 1, 2007, and be-
12 fore July 1, 2008;

13 “(C) by substituting ‘not more or less than
14 2.0 percent’ for ‘4.0 percent’ with respect to
15 loans for which the first disbursement of prin-
16 cipal is made on or after July 1, 2008, and be-
17 fore July 1, 2009;

18 “(D) by substituting ‘not more or less than
19 1.5 percent’ for ‘4.0 percent’ with respect to
20 loans for which the first disbursement of prin-
21 cipal is made on or after July 1, 2009, and be-
22 fore July 1, 2010; and

23 “(E) by substituting ‘not more or less than
24 1.0 percent’ for ‘4.0 percent’ with respect to



1 loans for which the first disbursement of prin-
2 cipal is made on or after July 1, 2010.

3 “(3) WAIVERS AND REPAYMENT INCENTIVES
4 PROHIBITED.—Beginning with loans made on or
5 after July 1, 2006, the Secretary is prohibited—

6 “(A) from waiving any amount of the loan
7 fee prescribed under this section as part of a
8 repayment incentive in section 455(b)(7); and

9 “(B) from providing any repayment incen-
10 tive before the borrower enters repayment.”.

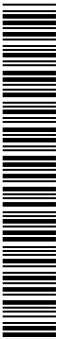
11 (e) CONSOLIDATION LOAN OFFSET CHARGE.—

12 (1) FFEL CONSOLIDATION LOANS.—Section
13 438(c) (20 U.S.C. 1087–1(c)) is further amended—

14 (A) in paragraph (1)(A), by inserting after
15 “paragraph (2) of this subsection” the fol-
16 lowing: “and the amount the lender is author-
17 ized to collect as a consolidation loan offset
18 charge in accordance with paragraph (9) of this
19 subsection”;

20 (B) in paragraph (1)(B)—

21 (i) by inserting “and the consolidation
22 loan offset charge” after “origination fee”;
23 and



1 (ii) by inserting “and consolidation
2 loan offset charges” after “origination
3 fees”;

4 (C) in paragraphs (3) and (4), by inserting
5 “and consolidation loan offset charge” after
6 “origination fee” each place it appears;

7 (D) in paragraph (5)—

8 (i) by inserting “or consolidation loan
9 offset charge” after “origination fee”; and

10 (ii) by inserting “or consolidation loan
11 offset charges” after “origination fees”;

12 (E) in paragraph (7)—

13 (i) by inserting “and consolidation
14 loan offset charges” after “origination
15 fees”; and

16 (ii) by striking “428A or”; and

17 (F) by adding at the end the following new
18 paragraph:

19 “(9) CONSOLIDATION LOAN OFFSET CHARGE.—

20 For any loan under section 428C, the lender is au-
21 thorized to collect a consolidation loan offset charge
22 in an amount not to exceed 1.0 percent of the prin-
23 cipal amount of the loan. Such amount may be
24 added to the principal amount of the loan for repay-
25 ment by the borrower.”.



1 (2) DIRECT LOANS.—Section 455(c) (20 U.S.C.
2 1087e(c)), as amended by subsection (d)(2) of this
3 section, is further amended by adding at the end the
4 following new paragraph:

5 “(4) CONSOLIDATION LOAN OFFSET
6 CHARGES.—For any Federal Direct Consolidation
7 Loan, the Secretary shall collect a consolidation loan
8 offset charge in an amount not more or less than
9 1.0 percent of the principal amount of the loan.
10 Such amount may be added to the principal amount
11 of the loan for repayment by the borrower. Such
12 amount is not subject to the requirements of para-
13 graph (3) of this subsection.”.

14 **SEC. 2117. CONSOLIDATION LOAN CHANGES.**

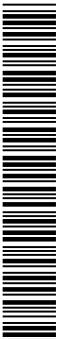
15 (a) CROSS-CONSOLIDATION BETWEEN PROGRAMS.—
16 Section 428C (20 U.S.C. 1078–3) is amended—

17 (1) in subsection (a)(3)(B)(i)—

18 (A) by inserting “or under section 455(g)”
19 after “under this section” both places it ap-
20 pears;

21 (B) by inserting “under both sections”
22 after “terminates”

23 (C) by striking “and” at the end of sub-
24 clause (III);



1 (D) by striking the period at the end of
2 subclause (IV) and inserting “; and”; and

3 (E) by adding at the end the following new
4 subclause:

5 “(V) an individual may obtain a subse-
6 quent consolidation loan under section 455(g)
7 only for the purposes of obtaining an income
8 contingent repayment plan, and only if the loan
9 has been submitted to the guaranty agency for
10 default aversion.”; and

11 (2) in subsection (b)(5), by striking the first
12 sentence and inserting the following: “In the event
13 that a lender with an agreement under subsection
14 (a)(1) of this section denies a consolidation loan ap-
15 plication submitted to it by an eligible borrower
16 under this section, or denies an application sub-
17 mitted to it by such a borrower for a consolidation
18 loan with income-sensitive repayment terms, the Sec-
19 retary shall offer any such borrower who applies for
20 it, a Federal Direct Consolidation loan. The Sec-
21 retary shall offer such a loan to a borrower who has
22 defaulted, for the purpose of resolving the default.”.

23 (b) REPEAL OF IN-SCHOOL CONSOLIDATION.—

24 (1) DEFINITION OF REPAYMENT PERIOD.—Sec-
25 tion 428(b)(7)(A) (20 U.S.C. 1078(b)(7)(A)) is



1 amended by striking “shall begin—” and all that
2 follows through “earlier date.” and inserting the fol-
3 lowing: “shall begin the day after 6 months after the
4 date the student ceases to carry at least one-half the
5 normal full-time academic workload (as determined
6 by the institution).”.

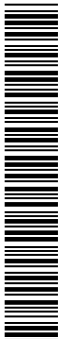
7 (2) CONFORMING CHANGE TO ELIGIBLE BOR-
8 ROWER DEFINITION.—Section 428C(a)(3)(A)(ii)(I)
9 (20 U.S.C. 1078–3(a)(3)(A)(ii)(I)) is amended by
10 inserting “as determined under section
11 428(b)(7)(A)” after “repayment status”.

12 (c) INTEREST PAYMENT REBATE FEE.—Section
13 428C(f)(2) (20 U.S.C. 1078–2(f)(2)) is amended—

14 (1) by striking “SPECIAL RULE.—” and insert-
15 ing “SPECIAL RULES.—(A)”; and

16 (2) by adding at the end the following new sub-
17 paragraph:

18 “(B) For consolidation loans based on applica-
19 tions received on or after July 1, 2006, if 90 percent
20 or more of the total principal and accrued unpaid in-
21 terest outstanding on the loans held, directly or indi-
22 rectly, by any holder is comprised of principal and
23 accrued unpaid interest owed on consolidation loans,
24 the rebate described in paragraph (1) for such hold-



1 er shall be equal to 1.30 percent of the principal
2 plus accrued unpaid interest on such loans.”.

3 (d) ADDITIONAL AMENDMENTS.—Section 428C (20
4 U.S.C. 1078–3) is amended—

5 (1) in subsection (a)(3), by striking subpara-
6 graph (C); and

7 (2) in subsection (b)(1)—

8 (A) by striking everything after “under
9 this section” the first place it appears in sub-
10 paragraph (A) and inserting the following: “and
11 that, if all the borrower’s loans under this part
12 are held by a single holder, the borrower has
13 notified such holder that the borrower is seek-
14 ing to obtain a consolidation loan under this
15 section;”;

16 (B) by striking “(i) which” and all that
17 follows through “and (ii)” in subparagraph (C);

18 (C) by striking “and” at the end of sub-
19 paragraph (E);

20 (D) by redesignating subparagraph (F) as
21 subparagraph (G); and

22 (E) by inserting after subparagraph (E)
23 the following new subparagraph:

24 “(F) that the lender of the consolidation
25 loan shall, upon application for such loan, pro-



1 vide the borrower with a clear and conspicuous
2 notice of at least the following information:

3 “(i) the effects of consolidation on
4 total interest to be paid, fees to be paid,
5 and length of repayment;

6 “(ii) the effects of consolidation on a
7 borrower’s underlying loan benefits, includ-
8 ing loan forgiveness, cancellation,
9 deferment, and reduced interest rates on
10 those underlying loans;

11 “(iii) the ability of the borrower to
12 prepay the loan, pay on a shorter schedule,
13 and to change repayment plans;

14 “(iv) that borrower benefit programs
15 may vary among different loan holders,
16 and a description of how the borrower ben-
17 efits may vary among different loan hold-
18 ers;

19 “(v) the tax benefits for which bor-
20 rowers may be eligible;

21 “(vi) the consequences of default; and

22 “(vii) that by making the application
23 the applicant is not obligated to agree to
24 take the consolidation loan; and”.



1 (e) EFFECTIVE DATE FOR SINGLE HOLDER AMEND-
2 MENT.—The amendment made by subsection (d)(2)(A)
3 shall apply with respect to any loan made under section
4 428C of the Higher Education Act of 1965 (20 U.S.C.
5 1078–3) for which the application is received by an eligible
6 lender on or after July 1, 2006.

7 (f) CONFORMING AMENDMENTS TO DIRECT LOAN
8 PROGRAM.—Section 455 (20 U.S.C. 1087e) is amended

9 (1) in subsection (a)(1) by inserting “428C,”
10 after “428B,”;

11 (2) in subsection (a)(2)—

12 (A) by striking “and” at the end of sub-
13 paragraph (B);

14 (B) by redesignating subparagraph (C) as
15 subparagraph (D); and

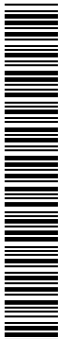
16 (C) by inserting after subparagraph (B)
17 the following:

18 “(C) section 428C shall be known as ‘Fed-
19 eral Direct Consolidation Loans’; and ”; and

20 (3) in subsection (g)—

21 (A) by striking the second sentence; and

22 (B) by adding at the end the following new
23 sentences: “To be eligible for a consolidation
24 loan under this part, a borrower must meet the
25 eligibility criteria set forth in section



1 428C(a)(3). The Secretary, upon application for
2 such a loan, shall comply with the requirements
3 applicable to a lender under section
4 428C(b)(1)(F).”.

5 **SEC. 2118. DEFERMENT OF STUDENT LOANS FOR MILITARY**
6 **SERVICE.**

7 (a) FEDERAL FAMILY EDUCATION LOANS.—Section
8 428(b)(1)(M) (20 U.S.C. 1078(b)(1)(M)) is amended—

9 (1) by striking “or” at the end of clause (ii);

10 (2) by redesignating clause (iii) as clause (iv);

11 and

12 (3) by inserting after clause (ii) the following
13 new clause:

14 “(iii) not in excess of 3 years during
15 which the borrower—

16 “(I) is serving on active duty
17 during a war or other military oper-
18 ation or national emergency; or

19 “(II) is performing qualifying
20 National Guard duty during a war or
21 other military operation or national
22 emergency; or”.

23 (b) DIRECT LOANS.—Section 455(f)(2) (20 U.S.C.
24 1087e(f)(2)) is amended—



1 (1) by redesignating subparagraph (C) as sub-
2 paragraph (D); and

3 (2) by inserting after subparagraph (B) the fol-
4 lowing new subparagraph:

5 “(C) not in excess of 3 years during which
6 the borrower—

7 “(i) is serving on active duty during a
8 war or other military operation or national
9 emergency; or

10 “(ii) is performing qualifying National
11 Guard duty during a war or other military
12 operation or national emergency; or”.

13 (c) PERKINS LOANS.—Section 464(c)(2)(A) (20
14 U.S.C. 1087dd(c)(2)(A)) is amended—

15 (1) by redesignating clauses (iii) and (iv) as
16 clauses (iv) and (v), respectively; and

17 (2) by inserting after clause (ii) the following
18 new clause:

19 “(iii) not in excess of 3 years during which the
20 borrower—

21 “(I) is serving on active duty during a war
22 or other military operation or national emer-
23 gency; or



1 “(II) is performing qualifying National
2 Guard duty during a war or other military op-
3 eration or national emergency;”.

4 (d) DEFINITIONS.—Section 481 (20 U.S.C. 1088) is
5 amended by adding at the end the following new sub-
6 section:

7 “(d) DEFINITIONS FOR MILITARY DEFERMENTS.—
8 For purposes of parts B, D, and E of this title:

9 “(1) ACTIVE DUTY.—The term ‘active duty’ has
10 the meaning given such term in section 101(d)(1) of
11 title 10, United States Code, except that such term
12 does not include active duty for training or attend-
13 ance at a service school.

14 “(2) MILITARY OPERATION.—The term ‘mili-
15 tary operation’ means a contingency operation as
16 such term is defined in section 101(a)(13) of title
17 10, United States Code.

18 “(3) NATIONAL EMERGENCY.—The term ‘na-
19 tional emergency’ means the national emergency by
20 reason of certain terrorist attacks declared by the
21 President on September 14, 2001, or subsequent na-
22 tional emergencies declared by the President by rea-
23 son of terrorist attacks.

24 “(4) SERVING ON ACTIVE DUTY.—The term
25 ‘serving on active duty during a war or other mili-



1 tary operation or national emergency’ means service
2 by an individual who is—

3 “(A) a Reserve of an Armed Force ordered
4 to active duty under section 12301(a),
5 12301(g), 12302, 12304, or 12306 of title 10,
6 United States Code, or any retired member of
7 an Armed Force ordered to active duty under
8 section 688 of such title, for service in connec-
9 tion with a war or other military operation or
10 national emergency, regardless of the location
11 at which such active duty service is performed;
12 and

13 “(B) any other member of an Armed Force
14 on active duty in connection with such emer-
15 gency or subsequent actions or conditions who
16 has been assigned to a duty station at a loca-
17 tion other than the location at which such mem-
18 ber is normally assigned.

19 “(5) QUALIFYING NATIONAL GUARD DUTY.—
20 The term ‘qualifying National Guard duty during a
21 war or other military operation or national emer-
22 gency’ means service as a member of the National
23 Guard on full-time National Guard duty (as defined
24 in section 101(d)(5) of title 10, United States Code)
25 under a call to active service authorized by the



1 President or the Secretary of Defense for a period
2 of more than 30 consecutive days under section
3 502(f) of title 32, United States Code, in connection
4 with a war, other military operation, or a national
5 emergency declared by the President and supported
6 by Federal funds.”.

7 (e) RULE OF CONSTRUCTION.—Nothing in the
8 amendments made by this section shall be construed to
9 authorize any refunding of any repayment of a loan.

10 (f) EFFECTIVE DATE.—The amendments made by
11 this section shall apply with respect to loans for which the
12 first disbursement is made on or after July 1, 1993, to
13 an individual who is a new borrower (within the meaning
14 of section 103 of the Higher Education Act of 1965 (20
15 U.S.C. 1003)) on or after such date.

16 **SEC. 2119. LOAN FORGIVENESS FOR SERVICE IN AREAS OF**
17 **NATIONAL NEED.**

18 Section 428K (20 U.S.C. 1078–11) is amended to
19 read as follows:

20 **“SEC. 428K. LOAN FORGIVENESS FOR SERVICE IN AREAS OF**
21 **NATIONAL NEED.**

22 “(a) PURPOSES.—The purposes of this section are—
23 “(1) to encourage highly trained individuals to
24 enter and continue in service in areas of national
25 need; and



1 “(2) to reduce the burden of student debt for
2 Americans who dedicate their careers to service in
3 areas of national need.

4 “(b) PROGRAM AUTHORIZED.—

5 “(1) IN GENERAL.—The Secretary is authorized
6 to carry out a program of assuming the obligation
7 to repay, pursuant to subsections (c)(2) and (d), a
8 qualified loan amount for a loan made, insured, or
9 guaranteed under this part or part D (other than
10 loans made under section 428B and 428C and com-
11 parable loans made under part D), for any new bor-
12 rower after the date of enactment of the Higher
13 Education Budget Reconciliation Act of 2005,
14 who—

15 “(A) has been employed full-time for at
16 least 5 consecutive complete school, academic,
17 or calendar years, as appropriate, in an area of
18 national need described in subsection (c); and

19 “(B) is not in default on a loan for which
20 the borrower seeks forgiveness.

21 “(2) AWARD BASIS.—Loan repayment under
22 this section shall be on a first-come, first-served
23 basis pursuant to the designation under subsection
24 (c) and subject to the availability of appropriations.



1 “(3) REGULATIONS.—The Secretary is author-
2 ized to issue such regulations as may be necessary
3 to carry out the provisions of this section.

4 “(c) AREAS OF NATIONAL NEED.—

5 “(1) STATUTORY CATEGORIES.—For purposes
6 of this section, an individual shall be treated as em-
7 ployed in an area of national need if the individual
8 is employed full-time and is any of the following:

9 “(A) EARLY CHILDHOOD EDUCATORS.—An
10 individual who is employed as an early child-
11 hood educator in an eligible preschool program
12 or child care facility in a low-income commu-
13 nity, and who is involved directly in the care,
14 development and education of infants, toddlers,
15 or young children through age five.

16 “(B) NURSES.—An individual who is
17 employed—

18 “(i) as a nurse in a clinical setting; or

19 “(ii) as a member of the nursing fac-
20 ulty at an accredited school of nursing (as
21 those terms are defined in section 801 of
22 the Public Health Service Act (42 U.S.C.
23 296)).

24 “(C) FOREIGN LANGUAGE SPECIALISTS.—

25 An individual who has obtained a baccalaureate



1 degree in a critical foreign language and is
2 employed—

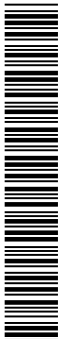
3 “(i) in an elementary or secondary
4 school as a teacher of a critical foreign lan-
5 guage; or

6 “(ii) in an agency of the United
7 States Government in a position that regu-
8 larly requires the use of such critical for-
9 eign language.

10 “(D) LIBRARIANS.—An individual who is
11 employed as a librarian in—

12 “(i) a public library that serves a geo-
13 graphic area within which the public
14 schools have a combined average of 30 per-
15 cent or more of their total student enroll-
16 ments composed of children counted under
17 section 1113(a)(5) of the Elementary and
18 Secondary Education Act of 1965; or

19 “(ii) an elementary or secondary
20 school which is in the school district of a
21 local educational agency which is eligible in
22 such year for assistance pursuant to title I
23 of the Elementary and Secondary Edu-
24 cation Act of 1965, and which for the pur-
25 pose of this paragraph and for that year



1 has been determined by the Secretary
2 (pursuant to regulations and after con-
3 sultation with the State educational agency
4 of the State in which the school is located)
5 to be a school in which the enrollment of
6 children counted under section 1113(a)(5)
7 of the Elementary and Secondary Edu-
8 cation Act of 1965 exceeds 30 percent of
9 the total enrollment of that school.

10 “(E) HIGHLY QUALIFIED TEACHERS: BI-
11 LINGUAL EDUCATION AND LOW-INCOME COM-
12 MUNITIES.—An individual who—

13 “(i) is highly qualified as such term is
14 defined in section 9101 of the Elementary
15 and Secondary Education Act of 1965; and

16 “(ii)(I) is employed as a teacher of bi-
17 lingual education; or

18 “(II) is employed as a teacher for
19 service in a public or nonprofit private ele-
20 mentary or secondary school which is in
21 the school district of a local educational
22 agency which is eligible in such year for
23 assistance pursuant to title I of the Ele-
24 mentary and Secondary Education Act of
25 1965, and which for the purpose of this



1 paragraph and for that year has been de-
2 termined by the Secretary (pursuant to
3 regulations and after consultation with the
4 State educational agency of the State in
5 which the school is located) to be a school
6 in which the enrollment of children counted
7 under section 1113(a)(5) of the Elemen-
8 tary and Secondary Education Act of 1965
9 exceeds 40 percent of the total enrollment
10 of that school.

11 “(F) FIRST RESPONDERS IN LOW-INCOME
12 COMMUNITIES.—An individual who—

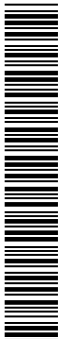
13 “(i) is employed as a firefighter, police
14 officer, or emergency medical technician;
15 and

16 “(ii) serves as such in a low-income
17 community.

18 “(G) CHILD WELFARE WORKERS.—An in-
19 dividual who—

20 “(i) has obtained a degree in social
21 work or a related field with a focus on
22 serving children and families; and

23 “(ii) is employed in public or private
24 child welfare services.



1 “(H) SPEECH-LANGUAGE PATHOLO-
2 GISTS.—An individual who is a speech-language
3 pathologist, who is employed in an eligible pre-
4 school program or an elementary or secondary
5 school, and who has, at a minimum, a graduate
6 degree in speech-language pathology, or com-
7 munication sciences and disorders.

8 “(I) ADDITIONAL AREAS OF NATIONAL
9 NEED.—An individual who is employed in an
10 area designated by the Secretary under para-
11 graph (2) and has completed a baccalaureate or
12 advanced degree related to such area.

13 “(2) DESIGNATION OF ADDITIONAL AREAS OF
14 NATIONAL NEED.—After consultation with appro-
15 priate Federal, State, and community-based agencies
16 and organizations, the Secretary shall designate ad-
17 ditional areas of national need in which an indi-
18 vidual may be employed full-time to be eligible for
19 loan repayment under this section. In making such
20 designations, the Secretary shall take into account
21 the extent to which—

22 “(A) the national interest in the area is
23 compelling;

24 “(B) the area suffers from a critical lack
25 of qualified personnel; and



1 “(C) other Federal programs support the
2 area concerned.

3 “(d) QUALIFIED LOAN AMOUNT.—Subject to the
4 availability of appropriations, the Secretary shall repay
5 not more than \$5,000 in the aggregate of the loan obliga-
6 tion on a loan made under section 428 or 428H that is
7 outstanding after the completion of the fifth consecutive
8 school, academic, or calendar year, as appropriate, de-
9 scribed in subsection (b)(1).

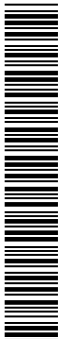
10 “(e) CONSTRUCTION.—Nothing in this section shall
11 be construed to authorize the refunding of any repayment
12 of a loan made under section 428 or 428H.

13 “(f) INELIGIBILITY OF NATIONAL SERVICE AWARD
14 RECIPIENTS.—No student borrower may, for the same
15 service, receive a benefit under both this section and sub-
16 title D of title I of the National and Community Service
17 Act of 1990 (42 U.S.C. 12601 et seq.).

18 “(g) INELIGIBILITY FOR DOUBLE BENEFITS.—No
19 borrower may receive a reduction of loan obligations under
20 both this section and section 428J or 460.

21 “(h) DEFINITIONS.—In this section

22 “(1) CHILD CARE FACILITY.—The term ‘child
23 care facility’ means a facility, including a home,
24 that—



1 “(A) provides for the education and care of
2 children from birth through age 5; and

3 “(B) meets any applicable State or local
4 government licensing, certification, approval, or
5 registration requirements.

6 “(2) CRITICAL FOREIGN LANGUAGE.—The term
7 ‘critical foreign language’ includes the languages of
8 Arabic, Korean, Japanese, Chinese, Pashto, Persian-
9 Farsi, Serbian-Croatian, Russian, Portuguese, and
10 any other language identified by the Secretary of
11 Education, in consultation with the Defense Lan-
12 guage Institute, the Foreign Service Institute, and
13 the National Security Education Program, as a crit-
14 ical foreign language need.

15 “(3) EARLY CHILDHOOD EDUCATOR.—The
16 term ‘early childhood educator’ means an early
17 childhood educator employed in an eligible preschool
18 program who has completed a baccalaureate or ad-
19 vanced degree in early childhood development, early
20 childhood education, or in a field related to early
21 childhood education.

22 “(4) ELIGIBLE PRESCHOOL PROGRAM.—The
23 term ‘eligible preschool program’ means a program
24 that provides for the care, development, and edu-
25 cation of infants, toddlers, or young children



1 through age 5, meets any applicable State or local
2 government licensing, certification, approval, and
3 registration requirements, and is operated by—

4 “(A) a public or private school that may be
5 supported, sponsored, supervised, or adminis-
6 tered by a local educational agency;

7 “(B) a Head Start agency serving as a
8 grantee designated under the Head Start Act
9 (42 U.S.C. 9831 et seq.);

10 “(C) a nonprofit or community based orga-
11 nization; or

12 “(D) a child care program, including a
13 home.

14 “(5) LOW-INCOME COMMUNITY.—In this sub-
15 section, the term ‘low-income community’ means a
16 community in which 70 percent of households earn
17 less than 85 percent of the State median household
18 income.

19 “(6) NURSE.—The term ‘nurse’ means a nurse
20 who meets all of the following:

21 “(A) The nurse graduated from—

22 “(i) an accredited school of nursing
23 (as those terms are defined in section 801
24 of the Public Health Service Act (42
25 U.S.C. 296));



1 “(ii) a nursing center; or

2 “(iii) an academic health center that
3 provides nurse training.

4 “(B) The nurse holds a valid and unre-
5 stricted license to practice nursing in the State
6 in which the nurse practices in a clinical set-
7 ting.

8 “(C) The nurse holds one or more of the
9 following:

10 “(i) A graduate degree in nursing, or
11 an equivalent degree.

12 “(ii) A nursing degree from a colle-
13 giate school of nursing (as defined in sec-
14 tion 801 of the Public Health Service Act
15 (42 U.S.C. 296)).

16 “(iii) A nursing degree from an asso-
17 ciate degree school of nursing (as defined
18 in section 801 of the Public Health Service
19 Act (42 U.S.C. 296)).

20 “(iv) A nursing degree from a diploma
21 school of nursing (as defined in section
22 801 of the Public Health Service Act (42
23 U.S.C. 296)).



1 “(7) SPEECH-LANGUAGE PATHOLOGIST.—The
2 term ‘speech-language pathologist’ means a speech-
3 language pathologist who meets all of the following:

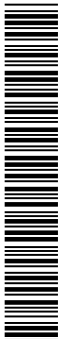
4 “(A) the speech-language pathologist has
5 received, at a minimum, a graduate degree in
6 speech-language pathology or communication
7 sciences and disorders from an institution of
8 higher education accredited by an agency or as-
9 sociation recognized by the Secretary pursuant
10 to section 496(a) of this Act; and

11 “(B) the speech-language pathologist
12 meets or exceeds the qualifications described in
13 section 1861(ll)(3) of the Social Security Act
14 (42 U.S.C. 1395x(3)).

15 “(i) AUTHORIZATION OF APPROPRIATIONS.—There
16 are authorized to be appropriated to carry out this section
17 such sums as may be necessary for fiscal year 2006 and
18 such sums as may be necessary for each of the 5 suc-
19 ceeding fiscal years.”.

20 **SEC. 2120. UNSUBSIDIZED STAFFORD LOANS.**

21 (a) AMENDMENT.—Section 428H(d)(2)(C) (20
22 U.S.C. 1078–8(d)(2)(C)) is amended by striking
23 “\$10,000” and inserting “\$12,000”.



1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to loans for which the first dis-
3 bursement of principal is made on or after July 1, 2007.

4 **SEC. 2121. ELIMINATION OF TERMINATION DATES FROM**
5 **TAXPAYER-TEACHER PROTECTION ACT OF**
6 **2004.**

7 (a) EXTENSION OF LIMITATIONS ON SPECIAL AL-
8 LOWANCE FOR LOANS FROM THE PROCEEDS OF TAX EX-
9 EMPT ISSUES.—Section 438(b)(2)(B) (20 U.S.C. 1087–
10 1(b)(2)(B)) is amended—

11 (1) in clause (iv), by striking “and before Janu-
12 ary 1, 2006,”; and

13 (2) in clause (v)(II)—

14 (A) by striking “and before January 1,
15 2006,” each place it appears in divisions (aa)
16 and (bb); and

17 (B) by striking “, and before January 1,
18 2006” in division (cc).

19 (b) ADDITIONAL LIMITATION ON SPECIAL ALLOW-
20 ANCE FOR LOANS FROM THE PROCEEDS OF TAX EXEMPT
21 ISSUES.—Section 438(b)(2)(B) (20 U.S.C. 1087–
22 1(b)(2)(B)) is further amended by adding at the end
23 thereof the following new clause:

24 “(vi) Notwithstanding clauses (i), (ii), and (v),
25 the quarterly rate of the special allowance shall be



1 the rate determined under subparagraph (A), (E),
2 (F), (G), (H), or (I) of this paragraph, as the case
3 may be, for a holder of loans—

4 “(I) that were made or purchased on or
5 after October 1, 2005; or

6 “(II) that were not earning a quarterly
7 rate of special allowance determined under
8 clauses (i) or (ii) of subparagraph (B) of this
9 paragraph (20 U.S.C. 1087–1(b)(2)(b)) as of
10 October 1, 2005.”.

11 (c) ELIMINATION OF EFFECTIVE DATE LIMITATION
12 ON HIGHER TEACHER LOAN FORGIVENESS BENEFITS.—
13 Paragraph (3) of section 3(b) of the Taxpayer-Teacher
14 Protection Act of 2004 (20 U.S.C. 1078–10 note) is
15 amended by striking “, and before October 1, 2005”.

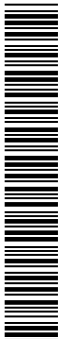
16 (d) ADDITIONAL CHANGES TO TEACHER LOAN FOR-
17 GIVENESS PROVISIONS.—

18 (1) FFEL PROVISIONS.—Section 428J (20
19 U.S.C. 1078–10) is amended—

20 (A) in subsection (b)(1)(B), by inserting
21 after “1965” the following: “, or meets the re-
22 quirements of subsection (g)(3)”;

23 (B) in subsection (c)(3)—

24 (i) by striking “and” at the end of
25 subparagraph (A);



1 (ii) by striking the period at the end
2 of subparagraph (B) and inserting “;
3 and”; and

4 (iii) by inserting after subparagraph
5 (B) the following new subparagraph:

6 “(C) an elementary or secondary school
7 teacher who primarily teaches reading—

8 “(i) who meets the requirements of
9 subsection (b);

10 “(ii) who has obtained a separate
11 reading instruction credential from the
12 State in which the teacher is employed;
13 and

14 “(iii) who is certified by the chief ad-
15 ministrative officer of the public or non-
16 profit private elementary or secondary
17 school in which the borrower is employed
18 to teach reading—

19 “(I) as being proficient in teach-
20 ing the essential components of read-
21 ing instruction as defined in section
22 1208 of the Elementary and Sec-
23 ondary Education Act of 1965; and

24 “(II) as having such credential.”;
25 and

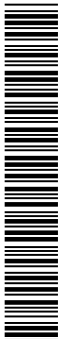


1 (C) in subsection (g), by adding at the end
2 the following new paragraph:

3 “(3) PRIVATE SCHOOL TEACHERS.—An indi-
4 vidual who is employed as a teacher in a private
5 school and is exempt from State certification re-
6 quirements (unless otherwise applicable under State
7 law), may, in lieu of the requirement of subsection
8 (a)(1)(B), have such employment treated as quali-
9 fying employment under this section if such indi-
10 vidual is permitted to and does satisfy rigorous sub-
11 ject knowledge and skills tests by taking competency
12 tests in the applicable grade levels and subject areas.
13 For such purposes, the competency tests taken by
14 such a private school teacher must be recognized by
15 5 or more States for the purpose of fulfilling the
16 highly qualified teacher requirements under section
17 9101 of the Elementary and Secondary Education
18 Act of 1965, and the score achieved by such teacher
19 on each test must equal or exceed the average pass-
20 ing score of those 5 States.”.

21 (2) DIRECT LOAN PROVISIONS.—Section 460
22 (20 U.S.C. 1087j) is amended—

23 (A) in subsection (b)(1)(A)(ii), by inserting
24 after “1965” the following: “, or meets the re-
25 quirements of subsection (g)(3)”;



1 (B) in subsection (c)(3)—

2 (i) by striking “and” at the end of
3 subparagraph (A);

4 (ii) by striking the period at the end
5 of subparagraph (B) and inserting “;
6 and”; and

7 (iii) by inserting after subparagraph
8 (B) the following new subparagraph:

9 “(C) an elementary or secondary school
10 teacher who primarily teaches reading—

11 “(i) who meets the requirements of
12 subsection (b);

13 “(ii) who has obtained a separate
14 reading instruction credential from the
15 State in which the teacher is employed;
16 and

17 “(iii) who is certified by the chief ad-
18 ministrative officer of the public or non-
19 profit private elementary or secondary
20 school in which the borrower is employed
21 to teach reading—

22 “(I) as being proficient in teach-
23 ing the essential components of read-
24 ing instruction as defined in section



1 1208 of the Elementary and Sec-
2 ondary Education Act of 1965; and

3 “(II) as having such credential.”;

4 and

5 (C) in subsection (g), by adding at the end
6 the following new paragraph:

7 “(3) PRIVATE SCHOOL TEACHERS.—An indi-
8 vidual who is employed as a teacher in a private
9 school and is exempt from State certification re-
10 quirements (unless otherwise applicable under State
11 law), may, in lieu of the requirement of subsection
12 (a)(1)(A)(ii), have such employment treated as
13 qualifying employment under this section if such in-
14 dividual is permitted to and does satisfy rigorous
15 subject knowledge and skills tests by taking com-
16 petency tests in the applicable grade levels and sub-
17 ject areas. For such purposes, the competency tests
18 taken by such a private school teacher must be rec-
19 ognized by 5 or more States for the purpose of ful-
20 filling the highly qualified teacher requirements
21 under section 9101 of the Elementary and Sec-
22 ondary Education Act of 1965, and the score
23 achieved by such teacher on each test must equal or
24 exceed the average passing score of those 5 States.”.



1 **SEC. 2122. LOAN FEES FROM LENDERS.**

2 Section 438(d)(2) (20 U.S.C. 1087-1(d)(2)) is
3 amended to read as follows:

4 “(2) AMOUNT OF LOAN FEES.—The amount of
5 the loan fee which shall be deducted under para-
6 graph (1) shall be equal to—

7 “(A) 0.50 percent of the principal amount
8 of the loan with respect to any loan under this
9 part for which the first disbursement was made
10 on or after October 1, 1993, and before July 1,
11 2006; and

12 “(B) 1.0 percent of the principal amount
13 of the loan with respect to any loan under this
14 part for which the first disbursement was made
15 on or after July 1, 2006.”.

16 **SEC. 2123. ADDITIONAL ADMINISTRATIVE PROVISIONS.**

17 (a) TREATMENT OF EXEMPT CLAIMS.—

18 (1) INSURANCE COVERAGE.—Section
19 428(b)(1)(G) (20 U.S.C. 1078(b)(1)(G)) is amended
20 by inserting before the semicolon at the end the fol-
21 lowing: “and 100 percent of the unpaid principal
22 amount of exempt claims as defined in subsection
23 (c)(1)(G)”.

24 (2) TREATMENT.—Section 428(c)(1) (20
25 U.S.C. 1078(c)(1)) is amended—



1 (A) by redesignating subparagraph (G) as
2 subparagraph (I), and moving such subpara-
3 graph 2 em spaces to the left; and

4 (B) by inserting after subparagraph (F)
5 the following new subparagraph:

6 “(G)(i) Notwithstanding any other provisions of
7 this section, in the case of exempt claims, the Sec-
8 retary shall apply the provisions of—

9 “(I) the fourth sentence of subparagraph
10 (A) by substituting ‘100 percent’ for ‘95 per-
11 cent’;

12 “(II) subparagraph (B)(i) by substituting
13 ‘100 percent’ for ‘85 percent’; and

14 “(III) subparagraph (B)(ii) by substituting
15 ‘100 percent’ for ‘75 percent’.

16 “(ii) For purposes of clause (i) of this subpara-
17 graph, the term ‘exempt claims’ means claims with
18 respect to loans for which it is determined that the
19 borrower (or the student on whose behalf a parent
20 has borrowed), without the lender’s or the institu-
21 tion’s knowledge at the time the loan was made, pro-
22 vided false or erroneous information or took actions
23 that caused the borrower or the student to be ineli-
24 gible for all or a portion of the loan or for interest
25 benefits thereon.”.



1 (b) REDUCTION OF INSURANCE PERCENTAGE.—

2 (1) INSURANCE PERCENTAGE REDUCTION.—

3 Section 428(b)(1)(G) as amended by subsection
4 (a)(1) is further amended by inserting after the mat-
5 ter inserted by such subsection the following: “, ex-
6 cept, for any loan for which the first disbursement
7 of principal is made on or after July 1, 2006, the
8 preceding provisions of this subparagraph shall be
9 applied by substituting ‘96 percent’ for ‘98 per-
10 cent’”.

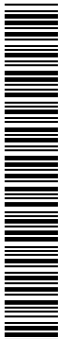
11 (2) INCREASE INSURANCE FOR EXCEPTIONAL
12 PERFORMANCE.—Section 428I (20 U.S.C. 1078–9)
13 is amended to read as follows:

14 **“SEC. 428I. SPECIAL INSURANCE AND REINSURANCE RULES**
15 **FOR EXCEPTIONAL PERFORMANCE.**

16 “(a) DESIGNATION OF LENDERS AND SERVICERS.—

17 “(1) IN GENERAL.—Whenever the Secretary de-
18 termines that an eligible lender or servicer meets the
19 performance measures required by paragraph (2),
20 the Secretary shall designate that eligible lender or
21 servicer, as the case may be, for exceptional per-
22 formance. The Secretary shall notify each appro-
23 priate guaranty agency of the eligible lenders and
24 servicers designated under this section.

25 “(2) PERFORMANCE MEASURES.—



1 “(A) In determining whether to award a
2 lender or servicer the exceptional performance
3 designation, the Secretary shall require that the
4 lender or servicer be performing at or above the
5 95 percentile of the industry, and demonstrate
6 improved performance against the lender’s or
7 servicer’s average of the last 3 years on the fac-
8 tors described in subparagraph (B).

9 “(B) The factors on which the Secretary
10 shall require improvement shall include—

11 “(i) delinquency rates;

12 “(ii) the rate at which delinquent ac-
13 counts are restored to good standing;

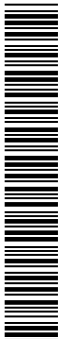
14 “(iii) default rates;

15 “(iv) the rate of rejected claims; and

16 “(v) any other such measures as de-
17 termined by the Secretary.

18 “(C) In addition, the Secretary shall not
19 make any award of such a designation unless
20 the consequence of the designation is cost-neu-
21 tral to the Federal Government.

22 “(3) ADDITIONAL INFORMATION ON LENDERS
23 AND SERVICERS.—Each appropriate guaranty agen-
24 cy shall provide the Secretary with such other infor-
25 mation in its possession regarding an eligible lender



1 or servicer desiring designation as may relate to the
2 Secretary's determination under paragraph (1), in-
3 cluding but not limited to any information sug-
4 gesting that the application of a lender or servicer
5 for designation should not be approved.

6 “(4) DETERMINATIONS BY THE SECRETARY.—

7 “(A) The Secretary shall designate an eli-
8 gible lender or servicer for exceptional perform-
9 ance if the eligible lender or servicer meets the
10 performance measures required by paragraph
11 (2).

12 “(B) The Secretary shall make the deter-
13 mination under paragraph (1) based upon the
14 documentation submitted by the eligible lender
15 or servicer as specified in regulation, such other
16 information as provided by any guaranty agen-
17 cy under paragraph (3), and any information in
18 the possession of the Secretary or submitted by
19 any other agency or office of the Federal Gov-
20 ernment.

21 “(C) The Secretary shall inform the eligi-
22 ble lender or servicer and the appropriate guar-
23 anty agency that its application for designation
24 as an exceptional performance lender or servicer
25 has been approved or disapproved.



1 “(5) TRANSITION.—

2 “(A) Any eligible lender or servicer des-
3 ignated for exceptional performance as of the
4 day before the date of enactment of the Higher
5 Education Budget Reconciliation Act of 2005
6 shall continue to be so designated, and subject
7 to the requirements of this section as in effect
8 on that day (including revocation), until the
9 performance standards described in paragraph
10 (2) are established.

11 “(B) The Secretary shall not designate any
12 additional eligible lenders or servicers for excep-
13 tional performance until those performance
14 standards are established.

15 “(b) PAYMENT TO LENDERS AND SERVICERS.—A
16 guaranty agency shall pay, to each eligible lender or
17 servicer (as agent for an eligible lender) designated under
18 subsection (a), 98 percent of the unpaid principal and in-
19 terest of all loans for which claims are submitted for pay-
20 ment by that eligible lender or servicer for the one-year
21 period following the receipt by the guaranty agency of the
22 notification of designation under this section, or until the
23 guaranty agency receives notice from the Secretary that
24 the designation of the lender or servicer under subsection
25 (a)(2) has been revoked.



1 “(c) REVOCATION AUTHORITY.—

2 “(1) The Secretary shall revoke the designation
3 of a lender or a servicer under subsection (a) if the
4 Secretary determines that the lender or servicer has
5 failed to meet the performance standards required
6 by subsection (a)(2).

7 “(2) Notwithstanding any other provision of
8 this section, a designation under subsection (a) may
9 be revoked at any time by the Secretary, in the Sec-
10 retary’s discretion, if the Secretary determines that
11 the eligible lender or servicer has failed to meet the
12 criteria and performance standards established by
13 the Secretary in regulation, or if the Secretary be-
14 lieves the lender or servicer may have engaged in
15 fraud in securing designation under subsection (a),
16 or is failing to service loans in accordance with pro-
17 gram regulations.

18 “(d) DOCUMENTATION.—Nothing in this section
19 shall restrict or limit the authority of guaranty agencies
20 to require the submission of claims documentation evi-
21 dencing servicing performed on loans, except that the
22 guaranty agency may not require greater documentation
23 than that required for lenders and servicers not designated
24 under subsection (a).



1 “(e) SPECIAL RULE.—Reimbursements made by the
2 Secretary on loans submitted for claim by an eligible lend-
3 er or loan servicer designated for exceptional performance
4 under this section shall not be subject to additional review
5 by the Secretary or repurchase by the guaranty agency
6 for any reason other than a determination by the Sec-
7 retary that the eligible lender or loan servicer engaged in
8 fraud or other purposeful misconduct in obtaining des-
9 ignation for exceptional performance.

10 “(f) LIMITATION.—Nothing in this section shall be
11 construed to affect the processing of claims on student
12 loans of eligible lenders not subject to this section.

13 “(g) CLAIMS.—A lender or servicer designated under
14 subsection (a) failing to service loans or otherwise comply
15 with applicable program regulations shall be considered in
16 violation of section 3729 of title 31, United States Code.

17 “(h) TERMINATION.—The Secretary may terminate
18 the designation of lenders and servicers under this section
19 if he determines that termination would be in the fiscal
20 interest of the United States.

21 “(i) DEFINITIONS.—As used in this section—

22 “(1) the term ‘eligible loan’ means a loan made,
23 insured, or guaranteed under this part; and

24 “(2) the term ‘servicer’ means an entity serv-
25 icing and collecting student loans that—



1 “(A) has substantial experience in serv-
2 icing and collecting consumer loans or student
3 loans;

4 “(B) has an independent financial audit
5 annually which is furnished to the Secretary
6 and any other parties designated by the Sec-
7 retary;

8 “(C) has business systems which are capa-
9 ble of meeting the requirements of this part;

10 “(D) has adequate personnel who are
11 knowledgeable about the student loan programs
12 authorized by this part; and

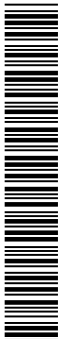
13 “(E) does not have any owner, majority
14 shareholder, director, or officer of the entity
15 who has been convicted of a felony.”.

16 (3) EFFECTIVE DATE OF AMENDMENTS.—The
17 amendments made by this subsection shall apply
18 with respect to loans for which the first disburse-
19 ment of principal is made on or after July 1, 2006.

20 (c) DOCUMENTATION OF FORBEARANCE AGREE-
21 MENTS.—Section 428(c) (20 U.S.C. 1078(c)) is further
22 amended—

23 (1) in paragraph (3)(A)(i)—

24 (A) by striking “in writing”; and



1 (B) by inserting “and documented in ac-
2 cordance with paragraph (10)” after “approval
3 of the insurer”; and

4 (2) by adding at the end the following new
5 paragraph:

6 “(10) DOCUMENTATION OF FORBEARANCE
7 AGREEMENTS.—For the purposes of paragraph (3),
8 the terms of forbearance agreed to by the parties
9 shall be documented by confirming the agreement of
10 the borrower by notice to the borrower from the
11 lender, and by recording the terms in the borrower’s
12 file.”.

13 (d) CONSOLIDATION OF DEFAULTED LOANS.—Sec-
14 tion 428(c) (20 U.S.C. 1078(c)) is further amended—

15 (1) in paragraph (2)(A)—

16 (A) by inserting “(i)” after “including”;
17 and

18 (B) by inserting before the semicolon at
19 the end the following: “and (ii) requirements es-
20 tablishing procedures to preclude consolidation
21 lending from being an excessive proportion of
22 guaranty agency recoveries on defaulted loans
23 under this part”;

24 (2) in paragraph (2)(D), by striking “para-
25 graph (6)” and inserting “paragraph (6)(A)”; and



1 (3) in paragraph (6)—

2 (A) by inserting “(A)” before “For the
3 purpose of paragraph (2)(D),”;

4 (B) by redesignating subparagraphs (A)
5 and (B) as clauses (i) and (ii), respectively; and

6 (C) by adding at the end the following new
7 subparagraphs:

8 “(B) A guaranty agency shall—

9 “(i) on or after October 1, 2006—

10 “(I) not charge the borrower collec-
11 tion costs in an amount in excess of 18.5
12 percent of the outstanding principal and
13 interest of a defaulted loan that is paid off
14 through consolidation by the borrower
15 under this title; and

16 “(II) remit to the Secretary a portion
17 of the collection charge under subclause (I)
18 equal to 8.5 percent of the outstanding
19 principal and interest of such defaulted
20 loan; and

21 “(ii) on and after October 1, 2009, remit
22 to the Secretary the entire amount charged
23 under clause (i)(I) with respect to each de-
24 faulted loan that is paid off with excess consoli-
25 dation proceeds.



1 “(C) For purposes of subparagraph (B), the
2 term ‘excess consolidation proceeds’ means, with re-
3 spect to any guaranty agency for any Federal fiscal
4 year beginning on or after October 1, 2009, the pro-
5 ceeds of consolidation of defaulted loans under this
6 title that exceed 45 percent of the agency’s total col-
7 lections on defaulted loans in such Federal fiscal
8 year.”.

9 (e) COLLECTION RETENTION PERCENTAGES.—
10 Clause (ii) of section 428(c)(6)(B) (20 U.S.C.
11 1078(c)(6)(B)), as redesignated by subsection (d)(3) of
12 this section, is amended to read as follows:

13 “(ii) an amount equal to 24 percent of
14 such payments for use in accordance with sec-
15 tion 422B, except that—

16 “(I) beginning on October 1, 2003,
17 and ending on October 1, 2006, this clause
18 shall be applied by substituting ‘23 per-
19 cent’ for ‘24 percent’; and

20 “(II) beginning on October 1, 2006,
21 this clause shall be applied by substituting
22 ‘20 percent’ for ‘24 percent’.”.

23 (f) VOLUNTARY FLEXIBLE AGREEMENTS.—Section
24 428A (20 U.S.C. 1078–1) is amended—



1 (1) in subsection (a)(1)(B), by striking “unless
2 the Secretary” and all that follows through “des-
3 ignated guarantor”;

4 (2) by striking paragraph (2) of subsection (a);

5 (3) in paragraph (4)(B) of subsection (a), by
6 striking “and any waivers provided to other guar-
7 anty agencies under paragraph (2)”;

8 (4) by redesignating paragraphs (3) and (4) of
9 subsection (a) as paragraphs (2) and (3), respec-
10 tively; and

11 (5) by striking paragraph (3) of subsection (c)
12 and inserting the following:

13 “(3) NOTICE TO INTERESTED PARTIES.—Once
14 the Secretary reaches a tentative agreement in prin-
15 ciple under this section, the Secretary shall publish
16 in the Federal Register a notice that invites inter-
17 ested parties to comment on the proposed agree-
18 ment. The notice shall state how to obtain a copy of
19 the tentative agreement in principle and shall give
20 interested parties no less than 30 days to provide
21 comments. The Secretary may consider such com-
22 ments prior to providing the notices pursuant to
23 paragraph (2).”.

24 (g) FRAUD: REPAYMENT REQUIRED.—Section
25 428B(a)(1) (20 U.S.C. 1078–2(a)(1)) is amended—



1 (1) by striking “and” at the end of subpara-
2 graph (A);

3 (2) by redesignating subparagraph (B) as sub-
4 paragraph (C); and

5 (3) by inserting after subparagraph (A) the fol-
6 lowing new subparagraph:

7 “(B) in the case of a parent who has been
8 convicted of, or has pled nolo contendere or
9 guilty to, a crime involving fraud in obtaining
10 funds under this title, such parent has com-
11 pleted the repayment of such funds to the Sec-
12 retary, or to the holder in the case of a loan
13 under this title obtained by fraud; and”.

14 (h) DEFAULT REDUCTION PROGRAM.—Section
15 428F(a)(1) (20 U.S.C. 1078–6(a)(1)) is amended—

16 (1) in subparagraph (A), by striking “consecu-
17 tive payments for 12 months” and inserting “9 pay-
18 ments made within 20 days of the due date during
19 10 consecutive months”;

20 (2) by redesignating subparagraph (C) as sub-
21 paragraph (D); and

22 (3) by inserting after subparagraph (B) the fol-
23 lowing new subparagraph:

24 “(C) A guaranty agency may charge the
25 borrower and retain collection costs in an



1 amount not to exceed 18.5 percent of the out-
2 standing principal and interest at the time of
3 sale of a loan rehabilitated under subparagraph
4 (A).”.

5 (i) FINANCIAL AND ECONOMIC LITERACY.—

6 (1) DEFAULT REDUCTION PROGRAM.—Section
7 428F is further amended by adding at the end the
8 following:

9 “(c) FINANCIAL AND ECONOMIC LITERACY.—Where
10 appropriate, each program described under subsection (b)
11 shall include making financial and economic education ma-
12 terials available to the borrower.”.

13 (2) PROGRAM ASSISTANCE FOR BORROWERS.—

14 Section 432(k)(1) (20 U.S.C. 1082(k)(1)) is amend-
15 ed by striking “and offering” and all that follows
16 through the period and inserting “, offering loan re-
17 payment matching provisions as part of employee
18 benefit packages, and providing employees with fi-
19 nancial and economic education and counseling.”.

20 (j) CREDIT BUREAU ORGANIZATION AGREEMENTS.—

21 Section 430A(a) (20 U.S.C. 1080a(a)) is amended by
22 striking “agreements with credit bureau organizations”
23 and inserting “an agreement with each national credit bu-
24 reau organization (as described in section 603(p) of the
25 Fair Credit Reporting Act)”.



1 (k) UNIFORM ADMINISTRATIVE AND CLAIMS PROCE-
2 DURE.—Section 432(l)(1)(H) (20 U.S.C. 1082(l)(1)(H))
3 is amended by inserting “and anticipated graduation
4 date” after “status change”.

5 (l) DEFAULT REDUCTION MANAGEMENT.—Section
6 432 is further amended—

7 (1) by striking subsection (n); and

8 (2) by redesignating subsections (o) and (p) as
9 subsections (n) and (o), respectively.

10 (m) SCHOOLS AS LENDERS.—Paragraph (2) of sec-
11 tion 435(d) (20 U.S.C. 1085(d)(2)) is amended to read
12 as follows:

13 “(2) REQUIREMENTS FOR ELIGIBLE INSTITU-
14 TIONS.—

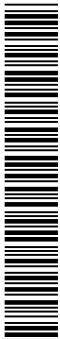
15 “(A) IN GENERAL.—To be an eligible lend-
16 er under this part, an eligible institution—

17 “(i) shall employ at least one person
18 whose full-time responsibilities are limited
19 to the administration of programs of finan-
20 cial aid for students attending such institu-
21 tion;

22 “(ii) shall not be a home study school;

23 “(iii) shall not—

24 “(I) make a loan to any under-
25 graduate student;



1 “(II) make a loan other than a
2 loan under section 428 or 428H to a
3 graduate or professional student; or

4 “(III) make a loan to a borrower
5 who is not enrolled at that institution;

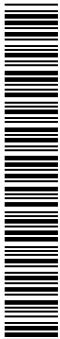
6 “(iv) shall award any contract for fi-
7 nancing, servicing, or administration of
8 loans under this title on a competitive
9 basis;

10 “(v) shall offer loans that carry an
11 origination fee or an interest rate, or both,
12 that are less than such fee or rate author-
13 ized under the provisions of this title;

14 “(vi) shall not have a cohort default
15 rate (as defined in section 435(m)) greater
16 than 10 percent;

17 “(vii) shall, for any year for which the
18 institution engages in activities as an eligi-
19 ble lender, provide for a compliance audit
20 conducted in accordance with section
21 428(b)(1)(U)(iii)(I), and the regulations
22 thereunder, and submit the results of such
23 audit to the Secretary; and

24 “(viii) shall use any proceeds from
25 special allowance payments and interest



1 payments from borrowers, interest sub-
2 sidies received from the Department of
3 Education, and any proceeds from the sale
4 or other disposition of loans, for need-
5 based grant programs.

6 “(B) ADMINISTRATIVE EXPENSES.—An el-
7 igible lender under subparagraph (A) shall be
8 permitted to use a portion of the proceeds de-
9 scribed in subparagraph (A)(viii) for reasonable
10 and direct administrative expenses.

11 “(C) SUPPLEMENT, NOT SUPPLANT.—An
12 eligible lender under subparagraph (A) shall en-
13 sure that the proceeds described in subpara-
14 graph (A)(viii) are used to supplement, and not
15 to supplant, non-Federal funds that would oth-
16 erwise be used for need-based grant pro-
17 grams.”.

18 (n) DISABILITY DETERMINATIONS.—Section 437(a)
19 (20 U.S.C. 1087(a)) is amended by adding at the end the
20 following new sentence: “In making such determination of
21 permanent and total disability, the Secretary shall not re-
22 quire a borrower who has been certified as permanently
23 and totally disabled by the Department of Veterans Af-
24 fairs or the Social Security Administration to present fur-



1 ther documentation of disability for purposes of this
2 title.”.

3 (o) TREATMENT OF FALSELY CERTIFIED BOR-
4 ROWERS.—Section 437(c)(1) (20 U.S.C. 1087(c)(1)) is
5 amended by inserting “or parent’s eligibility” after “such
6 student’s eligibility”.

7 (p) PERFECTION OF SECURITY INTERESTS.—Section
8 439(d) (20 U.S.C. 1087–2(d)) is amended—

9 (1) by striking paragraph (3); and

10 (2) by redesignating paragraphs (4) and (5) as
11 paragraphs (3) and (4), respectively.

12 (q) ADDITIONAL TECHNICAL AMENDMENTS.—

13 (1) Section 428(a)(2)(A) (20 U.S.C.
14 1078(a)(2)(A)) is amended—

15 (A) by striking “and” at the end of sub-
16 clause (II) of clause (i); and

17 (B) by moving the margin of clause (iii)
18 two ems to the left.

19 (2) Section 428(a)(3)(A)(v) (20 U.S.C.
20 1078(a)(3)(A)(v)) is amended—

21 (A) by striking “or” at the end of sub-
22 clause (I);

23 (B) by striking the period at the end of
24 subclause (II) and inserting “; or”; and



1 (C) by adding after subclause (II) the fol-
2 lowing new subclause:

3 “(III) in the case of a loan disbursed
4 through an escrow agent, 3 days before the first
5 disbursement of the loan.”.

6 (3) Section 428(c)(1)(A) (20 U.S.C.
7 1078(c)(1)(A)) is amended by striking “45 days” in
8 the last sentence and inserting “30 days”.

9 (4) Section 428(i)(1) (20 U.S.C. 1078(i)(1)) is
10 amended by striking “21 days” in the third sentence
11 and inserting “10 days”.

12 (5) Section 428G(e) (20 U.S.C. 1078–7(e)) is
13 amended by striking “, made to a student to cover
14 the cost of attendance at an eligible institution out-
15 side the United States,”.

16 (6) Section 428H(e) (20 U.S.C. 1078–8(e)) is
17 amended by striking paragraph (6) and inserting the
18 following:

19 “(6) TIME LIMITS ON BILLING INTEREST.—A
20 lender may not receive interest on a loan under this
21 section from a borrower for any period that precedes
22 the dates described in section 428(a)(3)(A)(v).”.

23 (7) Section 432(m)(1)(B) (20 U.S.C.
24 1082(m)(1)(B)) is amended—



1 (A) in clause (i), by inserting “and” after
2 the semicolon at the end; and

3 (B) in clause (ii), by striking “; and” and
4 inserting a period.

5 (8) Section 438(b)(4)(B) (20 U.S.C. 1087–
6 1(b)(4)(B)) is amended by striking “shall be com-
7 puted” and all that follows through “to the loan”
8 and inserting “described in subparagraph (A) shall
9 be computed using the interest rate described in sec-
10 tion 3902(a) of title 31, United States Code,”.

11 **SEC. 2124. FUNDS FOR ADMINISTRATIVE EXPENSES.**

12 Section 458 is amended to read as follows:

13 **“SEC. 458. FUNDS FOR ADMINISTRATIVE EXPENSES.**

14 **“(a) ADMINISTRATIVE EXPENSES.—**

15 **“(1) MANDATORY FUNDS FOR FISCAL YEAR**
16 **2006.—**For fiscal year 2006, there shall be available
17 to the Secretary, from funds not otherwise appro-
18 priated, funds to be obligated for—

19 **“(A) administrative costs under this part**
20 **and part B, including the costs of the direct**
21 **student loan programs under this part; and**

22 **“(B) account maintenance fees payable to**
23 **guaranty agencies under part B and calculated**
24 **in accordance with subsections (b) and (c),**



1 not to exceed (from such funds not otherwise appro-
2 priated) \$820,000,000 in fiscal year 2006.

3 “(2) AUTHORIZATION FOR ADMINISTRATIVE
4 COSTS BEGINNING IN FISCAL YEAR 2007.—For each
5 of the fiscal years 2007 through 2011, there are au-
6 thorized to be appropriated such sums as may be
7 necessary for administrative costs under this part
8 and part B, including the costs of the direct student
9 loan programs under this part.

10 “(3) CONTINUING MANDATORY FUNDS FOR AC-
11 COUNT MAINTENANCE FEES.—For each of the fiscal
12 years 2007 through 2011, there shall be available to
13 the Secretary, from funds not otherwise appro-
14 priated, funds to be obligated for account mainte-
15 nance fees payable to guaranty agencies under part
16 B and calculated in accordance with subsection (b).

17 “(4) ACCOUNT MAINTENANCE FEES.—Account
18 maintenance fees under paragraph (3) shall be paid
19 quarterly and deposited in the Agency Operating
20 Fund established under section 422B.

21 “(5) CARRYOVER.—The Secretary may carry
22 over funds made available under this section to a
23 subsequent fiscal year.

24 “(b) CALCULATION BASIS.—Account maintenance
25 fees payable to guaranty agencies under subsection (a)(3)



1 shall not exceed the basis of 0.10 percent of the original
2 principal amount of outstanding loans on which insurance
3 was issued under part B.

4 “(c) BUDGET JUSTIFICATION.—No funds may be ex-
5 pended under this section unless the Secretary includes
6 in the Department of Education’s annual budget justifica-
7 tion to Congress a detailed description of the specific ac-
8 tivities for which the funds made available by this section
9 have been used in the prior and current years (if applica-
10 ble), the activities and costs planned for the budget year,
11 and the projection of activities and costs for each remain-
12 ing year for which administrative expenses under this sec-
13 tion are made available.”.

14 **SEC. 2125. SIGNIFICANTLY SIMPLIFYING THE STUDENT AID**
15 **APPLICATION PROCESS.**

16 (a) EXPANDING THE AUTO-ZERO AND FURTHER
17 SIMPLIFYING THE SIMPLIFIED NEEDS TEST.—

18 (1) SIMPLIFIED NEEDS TEST.—Section 479 (20
19 U.S.C. 1087ss) is amended—

20 (A) in subsection (b)—

21 (i) in paragraph (1)—

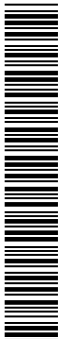
22 (I) by striking clause (i) of sub-
23 paragraph (A) and inserting the fol-
24 lowing:



1 “(i) the student’s parents file, or are
2 eligible to file, a form described in para-
3 graph (3) or certify that they are not re-
4 quired to file an income tax return, and
5 the student files, or is eligible to file, such
6 a form or certifies that the student is not
7 required to file an income tax return, or
8 the student’s parents, or the student, re-
9 ceived benefits at some time during the
10 previous 12-month period under a means-
11 tested Federal benefit program as defined
12 under subsection (d); and”; and

13 (II) by striking clause (i) of sub-
14 paragraph (B) and inserting the fol-
15 lowing:

16 “(i) the student (and the student’s
17 spouse, if any) files, or is eligible to file, a
18 form described in paragraph (3) or cer-
19 tifies that the student (and the student’s
20 spouse, if any) is not required to file an in-
21 come tax return, or the student (and the
22 student’s spouse, if any) received benefits
23 at some time during the previous 12-month
24 period under a means-tested Federal ben-



1 efit program as defined under subsection
2 (d); and”; and

3 (ii) in paragraph (3), by striking “A
4 student or family files a form described in
5 this subsection, or subsection (c), as the
6 case may be, if the student or family, re-
7 spectively, files” and inserting “In the case
8 of an independent student, the student, or
9 in the case of a dependent student, the
10 parent, files a form described in this sub-
11 section, or subsection (c), as the case may
12 be, if the student or parent, as appro-
13 priate, files”;

14 (B) in subsection (c)—

15 (i) in paragraph (1), by striking sub-
16 paragraph (A) and inserting the following:

17 “(A) the student’s parents file, or are eligi-
18 ble to file, a form described in subsection (b)(3)
19 or certify that they are not required to file an
20 income tax return, and the student files, or is
21 eligible to file, such a form or certifies that the
22 student is not required to file an income tax re-
23 turn, or the student’s parents, or the student,
24 received benefits at some time during the pre-
25 vious 12-month period under a means-tested



1 Federal benefit program as defined in sub-
2 section (d); and”; and

3 (ii) in paragraph (2), by striking sub-
4 paragraph (A) and inserting the following:

5 “(A) the student (and the student’s
6 spouse, if any) files, or is eligible to file, a form
7 described in subsection (b)(3) or certifies that
8 the student (and the student’s spouse, if any)
9 is not required to file an income tax return, or
10 the student (and the student’s spouse, if any)
11 received benefits at some time during the pre-
12 vious 12-month period under a means-tested
13 Federal benefit program as defined in sub-
14 section (d); and”; and

15 (C) by adding at the end the following new
16 subsections:

17 “(d) DEFINITION OF MEANS-TESTED FEDERAL
18 BENEFIT PROGRAM.—For the purposes of this section,
19 the term ‘means-tested Federal benefit program’ means
20 a mandatory spending program of the Federal Govern-
21 ment, other than a program under this title, in which eligi-
22 bility for the program’s benefits, or the amount of such
23 benefits, or both, are determined on the basis of income
24 or resources of the individual or family seeking the benefit,
25 and may include such programs as the supplemental secu-



1 rity income program under title XVI of the Social Security
2 Act, the food stamp program under the Food Stamp Act
3 of 1977, the free and reduced price school lunch program
4 established under the Richard B. Russell National School
5 Lunch Act, the temporary assistance to needy families
6 program established under part A of title IV of the Social
7 Security Act, and the women, infants and children pro-
8 gram established under Section 17 of the Child Nutrition
9 Act of 1966, and other programs identified by the Sec-
10 retary.

11 “(e) REPORTING REQUIREMENTS.—The Secretary
12 shall regularly evaluate the impact of the eligibility guide-
13 lines in subsections (b)(1)(A)(i), (b)(1)(B)(i), (c)(1)(A)
14 and (c)(2)(A) of this section. In particular, the Secretary
15 shall evaluate whether using receipt of benefits under a
16 means-tested Federal benefit program (as defined in sub-
17 section (d)) for eligibility continues to target the Sim-
18 plified Needs Test, to the greatest extent possible, for use
19 by low- and moderate-income students and their fami-
20 lies.”.

21 (b) IMPROVEMENTS TO PAPER AND ELECTRONIC
22 FORMS.—

23 (1) COMMON FINANCIAL AID FORM DEVELOP-
24 MENT AND PROCESSING.—Section 483(a) (20 U.S.C.
25 1090(a)) is amended—



1 (A) by striking paragraphs (1), (2), and
2 (5);

3 (B) by redesignating paragraphs (3), (4),
4 (6), and (7), as paragraphs (9), (10), (11), and
5 (12), respectively;

6 (C) by inserting before paragraph (9), as
7 redesignated by subparagraph (B), the fol-
8 lowing:

9 “(1) IN GENERAL.—The Secretary, in coopera-
10 tion with representatives of agencies and organiza-
11 tions involved in student financial assistance, shall
12 produce, distribute, and process free of charge com-
13 mon financial reporting forms as described in this
14 subsection to be used for application and reapplica-
15 tion to determine the need and eligibility of a stu-
16 dent for financial assistance under parts A through
17 E (other than subpart 4 of part A). These forms
18 shall be made available to applicants in both paper
19 and electronic formats and shall be referred to as
20 the ‘Free Application for Federal Student Aid’ or
21 the ‘FAFSA’ .

22 “(2) EARLY ESTIMATES.—

23 “(A) IN GENERAL.—The Secretary shall
24 permit applicants to complete such forms as de-
25 scribed in this subsection in the 4 years prior



1 to enrollment in order to obtain a non-binding
2 estimate of the family contribution, as defined
3 in section 473. The estimate shall clearly and
4 conspicuously indicate that it is only an esti-
5 mate of family contribution, and may not re-
6 flect the actual family contribution of the appli-
7 cant that shall be used to determine the grant,
8 loan, or work assistance that the applicant may
9 receive under this title when enrolled in a pro-
10 gram of postsecondary education. Such appli-
11 cants shall be permitted to update information
12 submitted on forms described in this subsection
13 using the process required under paragraph
14 (5)(A).

15 “(B) EVALUATION.—Two years after the
16 early estimates are implemented under this
17 paragraph and from data gathered from the
18 early estimates, the Secretary shall evaluate the
19 differences between initial, non-binding early es-
20 timates and the final financial aid award made
21 available under this title.

22 “(C) REPORT.—The Secretary shall pro-
23 vide a report to the authorizing committees on
24 the results of the evaluation.

25 “(3) PAPER FORMAT.—



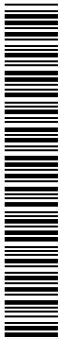
1 “(A) IN GENERAL.—The Secretary shall
2 produce, distribute, and process common forms
3 in paper format to meet the requirements of
4 paragraph (1). The Secretary shall develop a
5 common paper form for applicants who do not
6 meet the requirements of subparagraph (B).

7 “(B) EZ FAFSA.—

8 “(i) IN GENERAL.—The Secretary
9 shall develop and use a simplified paper
10 application form, to be known as the ‘EZ
11 FAFSA’, to be used for applicants meeting
12 the requirements of section 479(c).

13 “(ii) REDUCED DATA REQUIRE-
14 MENTS.—The form under this subpara-
15 graph shall permit an applicant to submit,
16 for financial assistance purposes, only the
17 data elements required to make a deter-
18 mination of whether the applicant meets
19 the requirements under section 479(c).

20 “(iii) STATE DATA.—The Secretary
21 shall include on the form under this sub-
22 paragraph such data items as may be nec-
23 essary to award State financial assistance,
24 as provided under paragraph (6), except
25 that the Secretary shall not include a



1 State's data if that State does not permit
2 its applicants for State assistance to use
3 the form under this subparagraph.

4 “(iv) FREE AVAILABILITY AND PROC-
5 ESSING.—The provisions of paragraph (7)
6 shall apply to the form under this subpara-
7 graph, and the data collected by means of
8 the form under this subparagraph shall be
9 available to institutions of higher edu-
10 cation, guaranty agencies, and States in
11 accordance with paragraph (9).

12 “(v) TESTING.—The Secretary shall
13 conduct appropriate field testing on the
14 form under this subparagraph.

15 “(C) PROMOTING THE USE OF ELEC-
16 TRONIC FAFSA.—

17 “(i) IN GENERAL.—The Secretary
18 shall—

19 “(I) develop a form that uses
20 skip logic to simplify the application
21 process for applicants; and

22 “(II) make all efforts to encour-
23 age applicants to utilize the electronic
24 forms described in paragraph (4).



1 “(ii) MAINTENANCE OF THE FAFSA IN
2 A PRINTABLE ELECTRONIC FILE.—The
3 Secretary shall maintain a version of the
4 paper forms described in subparagraphs
5 (A) and (B) in a printable electronic file
6 that is easily portable. The printable elec-
7 tronic file will be made easily accessible
8 and downloadable to students on the same
9 website used to provide students with the
10 electronic application forms described in
11 paragraph (4) of this subsection. The Sec-
12 retary shall enable students to submit a
13 form created under this subparagraph that
14 is downloaded and printed from an elec-
15 tronic file format in order to meet the fil-
16 ing requirements of this section and in
17 order to receive aid from programs under
18 this title.

19 “(iii) REPORTING REQUIREMENT.—
20 The Secretary shall report annually to
21 Congress on the impact of the digital di-
22 vide on students completing applications
23 for title IV aid described under this para-
24 graph and paragraph (4). The Secretary
25 will also report on the steps taken to elimi-



1 nate the digital divide and phase out the
2 paper form described in subparagraph (A)
3 of this paragraph. The Secretary's report
4 will specifically address the impact of the
5 digital divide on the following student pop-
6 ulations: dependent students, independent
7 students without dependents, and inde-
8 pendent students with dependents other
9 than a spouse.

10 “(4) ELECTRONIC FORMAT.—

11 “(A) IN GENERAL.—The Secretary shall
12 produce, distribute, and process common forms
13 in electronic format to meet the requirements of
14 paragraph (1). The Secretary shall develop
15 common electronic forms for applicants who do
16 not meet the requirements of subparagraph (C)
17 of this paragraph.

18 “(B) STATE DATA.—The Secretary shall
19 include on the common electronic forms space
20 for information that needs to be submitted from
21 the applicant to be eligible for State financial
22 assistance, as provided under paragraph (6), ex-
23 cept the Secretary shall not require applicants
24 to complete data required by any State other
25 than the applicant's State of residence.



1 “(C) SIMPLIFIED APPLICATIONS: FAFSA ON
2 THE WEB.—

3 “(i) IN GENERAL.—The Secretary
4 shall develop and use a simplified elec-
5 tronic application form to be used by appli-
6 cants meeting the requirements under sub-
7 section (c) of section 479 and an addi-
8 tional, separate simplified electronic appli-
9 cation form to be used by applicants meet-
10 ing the requirements under subsection (b)
11 of section 479.

12 “(ii) REDUCED DATA REQUIRE-
13 MENTS.—The simplified electronic applica-
14 tion forms shall permit an applicant to
15 submit for financial assistance purposes
16 only the data elements required to make a
17 determination of whether the applicant
18 meets the requirements under subsection
19 (b) or (c) of section 479.

20 “(iii) STATE DATA.—The Secretary
21 shall include on the simplified electronic
22 application forms such data items as may
23 be necessary to award state financial as-
24 sistance, as provided under paragraph (6),
25 except that the Secretary shall not require



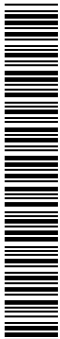
1 applicants to complete data required by
2 any State other than the applicant's State
3 of residence.

4 “(iv) AVAILABILITY AND PROC-
5 ESSING.—The data collected by means of
6 the simplified electronic application forms
7 shall be available to institutions of higher
8 education, guaranty agencies, and States
9 in accordance with paragraph (9).

10 “(v) TESTING.—The Secretary shall
11 conduct appropriate field testing on the
12 forms developed under this subparagraph.

13 “(D) USE OF FORMS.—Nothing in this
14 subsection shall be construed to prohibit the use
15 of the forms developed by the Secretary pursu-
16 ant to this paragraph by an eligible institution,
17 eligible lender, guaranty agency, State grant
18 agency, private computer software provider, a
19 consortium thereof, or such other entities as the
20 Secretary may designate.

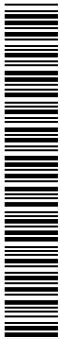
21 “(E) PRIVACY.—The Secretary shall en-
22 sure that data collection under this paragraph
23 complies with section 552a of title 5, United
24 States Code, and that any entity using the elec-
25 tronic version of the forms developed by the



1 Secretary pursuant to this paragraph shall
2 maintain reasonable and appropriate adminis-
3 trative, technical, and physical safeguards to
4 ensure the integrity and confidentiality of the
5 information, and to protect against security
6 threats, or unauthorized uses or disclosures of
7 the information provided on the electronic ver-
8 sion of the forms. Data collected by such elec-
9 tronic version of the forms shall be used only
10 for the application, award, and administration
11 of aid awarded under this title, State aid, or aid
12 awarded by eligible institutions or such entities
13 as the Secretary may designate. No data col-
14 lected by such electronic version of the forms
15 shall be used for making final aid awards under
16 this title until such data have been processed by
17 the Secretary or a contractor or designee of the
18 Secretary, and an expected family contribution
19 has been calculated by the Secretary, except as
20 may be permitted under this title.

21 “(F) SIGNATURE.—Notwithstanding any
22 other provision of this Act, the Secretary may
23 permit an electronic form under this paragraph
24 to be submitted with an electronic signature.

25 “(5) STREAMLINING.—



1 “(A) STREAMLINED REAPPLICATION PROC-
2 ESS.—

3 “(i) IN GENERAL.—The Secretary
4 shall develop streamlined reapplication
5 forms and processes, including both paper
6 and electronic reapplication processes, con-
7 sistent with the requirements of this sub-
8 section, for an applicant who applies for fi-
9 nancial assistance under this title—

10 “(I) in the academic year suc-
11 ceeding the year in which such appli-
12 cant first applied for financial assist-
13 ance under this title; or

14 “(II) in any succeeding academic
15 years.

16 “(ii) MECHANISMS FOR REAPPLICA-
17 TION.—The Secretary shall develop appro-
18 priate mechanisms to support reapplica-
19 tion.

20 “(iii) IDENTIFICATION OF UPDATED
21 DATA.—The Secretary shall determine, in
22 cooperation with States, institutions of
23 higher education, agencies, and organiza-
24 tions involved in student financial assist-
25 ance, the data elements that can be up-



1 dated from the previous academic year's
2 application.

3 “(iv) REDUCED DATA AUTHORIZED.—
4 Nothing in this title shall be construed as
5 limiting the authority of the Secretary to
6 reduce the number of data elements re-
7 quired of reapplicants.

8 “(v) ZERO FAMILY CONTRIBUTION.—
9 Applicants determined to have a zero fam-
10 ily contribution pursuant to section 479(c)
11 shall not be required to provide any finan-
12 cial data in a reapplication form, except
13 that which is necessary to determine eligi-
14 bility under such section.

15 “(B) REDUCTION OF DATA ELEMENTS.—

16 “(i) REDUCTION ENCOURAGED.—Of
17 the number of data elements on the
18 FAFSA on the date of enactment of the
19 Higher Education Budget Reconciliation
20 Act of 2005 (including questions on the
21 FAFSA for the purposes described in
22 paragraph (6)), the Secretary, in coopera-
23 tion with representatives of agencies and
24 organizations involved in student financial
25 assistance, shall continue to reduce the



1 number of such data elements following
2 the date of enactment. Reductions of data
3 elements under paragraph (3)(B), (4)(C),
4 or (5)(A)(iv) shall not be counted towards
5 the reduction referred to in this paragraph
6 unless those data elements are reduced for
7 all applicants.

8 “(ii) REPORT.—The Secretary shall
9 annually report to the House of Represent-
10 atives and the Senate on the progress
11 made of reducing data elements.

12 “(6) STATE REQUIREMENTS.—

13 “(A) IN GENERAL.—The Secretary shall
14 include on the forms developed under this sub-
15 section, such State-specific data items as the
16 Secretary determines are necessary to meet
17 State requirements for State need-based finan-
18 cial aid under section 415C, except as provided
19 in paragraphs (3)(B)(iii) and (4)(C)(iii) of this
20 subsection. Such items shall be selected in con-
21 sultation with State agencies in order to assist
22 in the awarding of State financial assistance in
23 accordance with the terms of this subsection,
24 except as provided in paragraphs (3)(B)(iii) and
25 (4)(C)(iii) of this subsection. The number of



1 such data items shall not be less than the num-
2 ber included on the form on October 7, 1998,
3 unless a State notifies the Secretary that the
4 State no longer requires those data items for
5 the distribution of State need-based financial
6 aid.

7 “(B) ANNUAL REVIEW.—The Secretary
8 shall conduct an annual review process to deter-
9 mine which forms and data items the States re-
10 quire to award State need-based financial aid
11 and other application requirements that the
12 States may impose.

13 “(C) STATE USE OF SIMPLIFIED FORMS.—
14 The Secretary shall encourage States to take
15 such steps as necessary to encourage the use of
16 simplified application forms, including those de-
17 scribed in paragraphs (3)(B) and (4)(C), to
18 meet the requirements under subsection (b) or
19 (c) of section 479.

20 “(D) FEDERAL REGISTER NOTICE.—The
21 Secretary shall publish on an annual basis a no-
22 tice in the Federal Register requiring State
23 agencies to inform the Secretary—

24 “(i) if the State agency is unable to
25 permit applicants to utilize the simplified



1 application forms described in paragraphs
2 (3)(B) and (4)(C); and

3 “(ii) of the State-specific data that
4 the State agency requires for delivery of
5 State need-based financial aid.

6 “(E) STATE NOTIFICATION TO THE SEC-
7 RETARY.—

8 “(i) IN GENERAL.—Each State agency
9 shall notify the Secretary—

10 “(I) whether the State permits
11 an applicant to file a form described
12 in paragraph (3)(B) or paragraph
13 (4)(C) of this subsection for purposes
14 of determining eligibility for State
15 need-based financial aid; and

16 “(II) the State-specific data that
17 the State agency requires for delivery
18 of State need-based financial aid.

19 “(ii) ACCEPTANCE OF FORMS.—In the
20 event that a State does not permit an ap-
21 plicant to file a form described in para-
22 graph (3)(B) or paragraph (4)(C) of this
23 subsection for purposes of determining eli-
24 gibility for State need-based financial
25 aid—



1 “(I) the State shall notify the
2 Secretary if the State is not permitted
3 to do so because of either State law or
4 because of agency policy; and

5 “(II) the notification under sub-
6 clause (I) shall include an estimate of
7 the program cost to permit applicants
8 to complete simplified application
9 forms under paragraphs (3)(B) and
10 paragraph (4)(C) of this subsection.

11 “(iii) LACK OF NOTIFICATION BY THE
12 STATE.—If a State does not notify the
13 Secretary pursuant to clause (i), the Sec-
14 retary shall—

15 “(I) permit residents of that
16 State to complete simplified applica-
17 tion forms under paragraphs (3)(B)
18 and paragraph (4)(C) of this sub-
19 section; and

20 “(II) not require any resident of
21 that State to complete any data pre-
22 viously required by that State under
23 this section.

24 “(7) CHARGES TO STUDENTS AND PARENTS
25 FOR USE OF FORMS PROHIBITED.—



1 “(A) FEES PROHIBITED.—The FAFSA, in
2 whatever form (including the EZ-FAFSA,
3 paper, electronic, simplified, or reapplication),
4 shall be produced, distributed, and processed by
5 the Secretary and no parent or student shall be
6 charged a fee by any entity for the collection,
7 processing, or delivery of financial aid through
8 the use of the FAFSA. The need and eligibility
9 of a student for financial assistance under parts
10 A through E of this title (other than under sub-
11 part 4 of part A) may only be determined by
12 using the FAFSA developed by the Secretary
13 pursuant to this subsection. No student may re-
14 ceive assistance under parts A through E of
15 this title (other than under subpart 4 of part
16 A), except by use of the FAFSA developed by
17 the Secretary pursuant to this subsection. No
18 data collected on a form, worksheet, or other
19 document for which a fee is charged shall be
20 used to complete the FAFSA.

21 “(B) NOTICE.—Any entity that provides to
22 students or parents, or charges students or par-
23 ents for, any value-added services with respect
24 to or in connection with the FAFSA, such as
25 completion of the FAFSA, submission of the



1 FAFSA, or tracking of the FAFSA for a stu-
2 dent, shall provide to students and parents
3 clear and conspicuous notice that—

4 “(i) the FAFSA is a free Federal stu-
5 dent aid application;

6 “(ii) the FAFSA can be completed
7 without professional assistance; and

8 “(iii) includes the current Internet ad-
9 dress for the FAFSA on the Department’s
10 web site.

11 “(8) APPLICATION PROCESSING CYCLE.—The
12 Secretary shall enable students to submit a form
13 created under this subsection in order to meet the
14 filing requirements of this section and in order to re-
15 ceive aid from programs under this title and shall
16 initiate the processing of applications under this
17 subsection as early as practicable prior to January
18 1 of the student’s planned year of enrollment.”.

19 (2) MASTER CALENDAR.—Section 482(a)(1)(B)
20 (20 U.S.C. 1089) is amended to read as follows:

21 “(B) by March 1: proposed modifications,
22 updates, and notices pursuant to sections 478,
23 479(c)(2)(C), and 483(a)(6) published in the
24 Federal Register;”.



1 (c) INCREASING ACCESS TO TECHNOLOGY.—Section
2 483 (20 U.S.C. 1090) is further amended by adding at
3 the end the following:

4 “(f) ADDRESSING THE DIGITAL DIVIDE.—The Sec-
5 retary shall utilize savings accrued by moving more appli-
6 cants to the electronic forms described in subsection (a)(4)
7 to improve access to the electronic forms described in sub-
8 section (a)(4) for applicants meeting the requirements of
9 section 479(c).”.

10 (d) EXPANDING THE DEFINITION OF AN INDE-
11 PENDENT STUDENT.—Section 480(d) (20
12 U.S.C.1087vv(d)) is amended by striking paragraph (2)
13 and inserting the following:

14 “(2) is an orphan, in foster care, or a ward of
15 the court, or was in foster care or a ward of the
16 court until the individual reached the age of 18;”.

17 **SEC. 2126. ADDITIONAL NEED ANALYSIS AMENDMENTS.**

18 (a) INCOME PROTECTION ALLOWANCE FOR DEPEND-
19 ENT STUDENTS.—

20 (1) AMENDMENT.—Section 475(g)(2)(D) (20
21 U.S.C. 1087oo(g)(2)(D)) is amended by striking
22 “\$2,200” and inserting “\$3,000”.

23 (2) CONFORMING AMENDMENT.—Section
24 478(b) (20 U.S.C. 1087rr(b)) is amended by adding
25 at the end the following new paragraph:



1 “(3) REVISED AMOUNTS AFTER INCREASE.—
2 Notwithstanding paragraph (2), for each academic
3 year after academic year 2006–2007, the Secretary
4 shall publish in the Federal Register a revised in-
5 come protection allowance for the purpose of section
6 475(g)(2)(D). Such revised allowance shall be devel-
7 oped by increasing the dollar amount contained in
8 such section by a percentage equal to the estimated
9 percentage increase in the Consumer Price Index (as
10 determined by the Secretary) between December
11 2005 and the December next preceding the begin-
12 ning of such academic year, and rounding the result
13 to the nearest \$10.”.

14 (3) EFFECTIVE DATE.—The amendments made
15 by this subsection shall apply with respect to deter-
16 minations of need for periods of enrollment begin-
17 ning on or after July 1, 2006.

18 (b) EMPLOYMENT EXPENSE ALLOWANCE.—Section
19 478(h) (20 U.S.C. 1087rr(h)) is amended—

20 (1) by striking “476(b)(4)(B),”; and

21 (2) by striking “meals away from home, apparel
22 and upkeep, transportation, and housekeeping serv-
23 ices” and inserting “food away from home, apparel,
24 transportation, and household furnishings and oper-
25 ations”.



1 (c) DISCRETION OF STUDENT FINANCIAL AID AD-
2 MINISTRATORS.—Section 479A(a) (20 U.S.C. 1087tt(a))
3 is amended—

4 (1) by striking “(a) IN GENERAL.—” and in-
5 serting the following:

6 “(a) AUTHORITY TO MAKE ADJUSTMENTS.—

7 “(1) ADJUSTMENTS FOR SPECIAL CIR-
8 CUMSTANCES.—”;

9 (2) by inserting before “Special circumstances
10 may” the following:

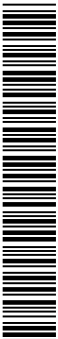
11 “(2) SPECIAL CIRCUMSTANCES DEFINED.—”;

12 (3) by inserting “a student’s status as a ward
13 of the court at any time prior to attaining 18 years
14 of age, a student’s status as an individual who was
15 adopted at or after age 13, a student’s status as a
16 homeless or unaccompanied youth (as defined in sec-
17 tion 725 of the McKinney-Vento Homeless Assist-
18 ance Act),” after “487,”;

19 (4) by inserting before “Adequate documenta-
20 tion” the following:

21 “(3) DOCUMENTATION AND USE OF SUPPLE-
22 MENTARY INFORMATION.—”; and

23 (5) by inserting before “No student” the fol-
24 lowing:



1 “(4) FEES FOR SUPPLEMENTARY INFORMATION
2 PROHIBITED.—”.

3 (d) TREATING ACTIVE DUTY MEMBERS OF THE
4 ARMED FORCES AS INDEPENDENT STUDENTS.—Section
5 480(d)(3) (20 U.S.C. 1087vv(d)(3)) is amended by insert-
6 ing before the semicolon at the end the following: “or is
7 currently serving on active duty in the Armed Forces for
8 other than training purposes”.

9 (e) EXCLUDABLE INCOME.—Section 480(e) (20
10 U.S.C. 1087vv(e)) is amended—

11 (1) by striking “and” at the end of paragraph
12 (3);

13 (2) by striking the period at the end of para-
14 graph (4) and inserting “; and”; and

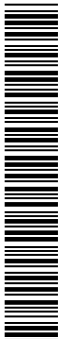
15 (3) by adding at the end the following new
16 paragraph:

17 “(5) any part of any distribution from a quali-
18 fied tuition program established under section 529
19 of the Internal Revenue Code of 1986 that is not in-
20 cludable in gross income under such section 529.”.

21 (f) TREATMENT OF SAVINGS PLANS.—

22 (1) AMENDMENT.—Section 480(f) (20 U.S.C.
23 1087vv(f)) is amended—

24 (A) in paragraph (1), by inserting “quali-
25 fied tuition programs established under section



1 529 of the Internal Revenue Code of 1986 (26
2 U.S.C. 529), except as provided in paragraph
3 (2),” after “tax shelters,”;

4 (B) by redesignating paragraph (2) as
5 paragraph (3); and

6 (C) by inserting after paragraph (1) the
7 following new paragraph:

8 “(2) A qualified tuition program shall not be consid-
9 ered an asset of a dependent student under section 475
10 of this part. The value of a qualified tuition program for
11 purposes of determining the assets of parents or inde-
12 pendent students shall be—

13 “(A) the refund value of any tuition credits or
14 certificates purchased under section 529 of the In-
15 ternal Revenue Code of 1986 (26 U.S.C. 529) on be-
16 half of a beneficiary; or

17 “(B) the current balance of any account which
18 is established under such section for the purpose of
19 meeting the qualified higher education expenses of
20 the designated beneficiary of the account.”.

21 (2) CONFORMING AMENDMENT.—Section 480(j)
22 (20 U.S.C. 1087vv(j)) is amended—

23 (A) by striking “; TUITION PREPAYMENT
24 PLANS” in the heading of such subsection;

25 (B) by striking paragraph (2);



1 (C) in paragraph (3), by inserting “, or a
2 distribution that is not includable in gross in-
3 come under section 529 of such Code,” after
4 “1986”; and

5 (D) by redesignating paragraph (3) as
6 paragraph (2).

7 (g) TREATMENT OF FAMILY OWNERSHIP OF SMALL
8 BUSINESSES.—Section 480(f)(3) of the Higher Education
9 Act of 1965 (20 U.S.C. 1087vv(f)(3)), as redesignated by
10 subsection (f) of this section, is amended—

11 (1) in subparagraph (A), by striking “or”;

12 (2) in subparagraph (B), by striking the period
13 at the end and inserting “; or”; and

14 (3) by adding at the end the following new sub-
15 paragraph:

16 “(C) a small business with not more than 100
17 full-time or full-time equivalent employees (or any
18 part of such a small business) that is owned and
19 controlled by the family.”.

20 (h) DESIGNATED ASSISTANCE.—Section 480(j) (20
21 U.S.C. 1087vv(j)) is amended by adding after paragraph
22 (2) (as redesignated by subsection (f)(2)(D) of this sec-
23 tion) the following new paragraph:

24 “(3) Notwithstanding paragraph (1) and section 472,
25 assistance not received under this title may be excluded



1 from both estimated financial assistance and cost of at-
2 tendance, if that assistance is provided by a State and is
3 designated by such State to offset a specific component
4 of the cost of attendance. If that assistance is excluded
5 from either estimated financial assistance or cost of at-
6 tendance, it shall be excluded from both.”.

7 **SEC. 2127. DEFINITION OF ELIGIBLE PROGRAM.**

8 Section 481(b) (20 U.S.C. 1088(b)) is amended by
9 adding at the end the following new paragraph:

10 “(3) For purposes of this title, an eligible program
11 includes an instructional program that utilizes direct as-
12 sessment of student learning, or recognizes the direct as-
13 sessment of student learning, in lieu of credit hours or
14 clock hours as the measure of student learning. In the case
15 of a program being determined eligible for the first time
16 under this paragraph, such determination shall be made
17 by the Secretary before such program is considered to be
18 eligible. The Secretary shall provide an annual report to
19 Congress identifying the programs made eligible under
20 this paragraph.”.

21 **SEC. 2128. DISTANCE EDUCATION.**

22 (a) DISTANCE EDUCATION: ELIGIBLE PROGRAM.—
23 Section 481(b) (20 U.S.C. 1088(b)) is amended by adding
24 after paragraph (3) (as added by section 2127 of this Act)
25 the following new paragraph:



1 “(4) An otherwise eligible program that is offered in
2 whole or in part through telecommunications is eligible for
3 the purposes of this title if the program is offered by an
4 institution, other than a foreign institution, that has been
5 evaluated and determined (before or after the date of en-
6 actment of this paragraph) to have the capability to effec-
7 tively deliver distance education programs by an accred-
8 iting agency or association that—

9 “(A) is recognized by the Secretary under sub-
10 part 2 of Part H; and

11 “(B) has evaluation of distance education pro-
12 grams within the scope of its recognition, as de-
13 scribed in section 496(n)(3).”.

14 (b) CORRESPONDENCE COURSES.—Section 484(l)(1)
15 (20 U.S.C. 1091(l)(1)) is amended—

16 (1) in subparagraph (A)—

17 (A) by striking “for a program of study of
18 1 year or longer”; and

19 (B) by striking “unless the total” and all
20 that follows through “courses at the institu-
21 tion”; and

22 (2) by amending subparagraph (B) to read as
23 follows:

24 “(B) EXCEPTION.—Subparagraph (A)
25 does not apply to an institution or school de-



1 scribed in section 3(3)(C) of the Carl D. Per-
2 kins Vocational and Technical Education Act of
3 1998.”.

4 **SEC. 2129. STUDENT ELIGIBILITY.**

5 (a) FRAUD: REPAYMENT REQUIRED.—Section
6 484(a) (20 U.S.C. 1091(a)) is amended—

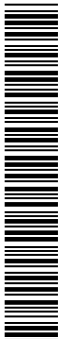
7 (1) by striking the period at the end of para-
8 graph (5) and inserting “; and”; and

9 (2) by adding at the end the following new
10 paragraph:

11 “(6) if the student has been convicted of, or has
12 pled nolo contendere or guilty to, a crime involving
13 fraud in obtaining funds under this title, have com-
14 pleted the repayment of such funds to the Secretary,
15 or to the holder in the case of a loan under this title
16 obtained by fraud.”.

17 (b) TECHNICAL AMENDMENT.—Section 484(b)(5)
18 (20 U.S.C. 1091(b)(5)) is amended by inserting “or par-
19 ent (on behalf of a student)” after “student”.

20 (c) LOAN INELIGIBILITY BASED ON INVOLUNTARY
21 CIVIL COMMITMENT FOR SEXUAL OFFENSES.—Section
22 484(b)(5) (20 U.S.C. 1091(b)(5)) is further amended by
23 inserting before the period the following: “, and no student
24 who is subject to an involuntary civil commitment upon
25 completion of a period of incarceration for a sexual offense



1 (as determined under regulations of the Secretary) is eligi-
2 ble to receive a loan under this title”.

3 (d) FREELY ASSOCIATED STATES.—Section 484(j)
4 (20 U.S.C. 1091(j)) is amended by inserting “and shall
5 be eligible only for assistance under subpart 1 of part A
6 thereafter,” after “part C,”.

7 (e) VERIFICATION OF INCOME DATE.—Paragraph
8 (1) of section 484(q) (20 U.S.C. 1091(q)) is amended to
9 read as follows:

10 “(1) CONFIRMATION WITH IRS.—The Secretary
11 of Education, in cooperation with the Secretary of
12 the Treasury, is authorized to confirm with the In-
13 ternal Revenue Service the information specified in
14 section 6103(l)(13) of the Internal Revenue Code of
15 1986 reported by applicants (including parents)
16 under this title on their Federal income tax returns
17 for the purpose of verifying the information reported
18 by applicants on student financial aid applications.”.

19 (f) SUSPENSION OF ELIGIBILITY FOR DRUG OF-
20 FENSES.—Section 484(r)(1) (20 U.S.C. 1091(r)(1)) is
21 amended by striking everything preceding the table and
22 inserting the following:

23 “(1) IN GENERAL.—A student who is convicted
24 of any offense under any Federal or State law in-
25 volving the possession or sale of a controlled sub-



1 stance for conduct that occurred during a period of
2 enrollment for which the student was receiving any
3 grant, loan, or work assistance under this title shall
4 not be eligible to receive any grant, loan, or work as-
5 sistance under this title from the date of that convic-
6 tion for the period of time specified in the following
7 table.”.

8 **SEC. 2130. INSTITUTIONAL REFUNDS.**

9 Section 484B (20 U.S.C. 1091b) is amended—

10 (1) in subsection (a)(1), by inserting “subpart
11 4 of part A or” after “received under”;

12 (2) in subsection (a)(2), by striking “takes a
13 leave” and by inserting “takes one or more leaves”;

14 (3) in subsection (a)(3)(B)(ii), by inserting “(as
15 determined in accordance with subsection (d))” after
16 “student has completed”;

17 (4) in subsection (a)(4), by amending subpara-
18 graph (A) to read as follows:

19 “(A) IN GENERAL.—After determining the
20 eligibility of the student for a late disbursement
21 or post-withdrawal disbursement (as required in
22 regulations prescribed by the Secretary), the in-
23 stitution of higher education shall contact the
24 borrower and obtain confirmation that the loan
25 funds are still required by the borrower. In



1 making such contact, the institution shall ex-
2 plain to the borrower the borrower's obligation
3 to repay the funds following any such disburse-
4 ment. The institution shall document in the
5 borrower's file the result of such contact and
6 the final determination made concerning such
7 disbursement.”;

8 (5) in subsection (b)(1), by inserting “no later
9 than 45 days from the determination of withdrawal”
10 after “return”;

11 (6) in subsection (b)(2), by amending subpara-
12 graph (C) to read as follows:

13 “(C) GRANT OVERPAYMENT REQUIRE-
14 MENTS.—

15 “(i) IN GENERAL.—Notwithstanding
16 subparagraphs (A) and (B), a student
17 shall only be required to return grant as-
18 sistance in the amount (if any) by which—

19 “(I) the amount to be returned
20 by the student (as determined under
21 subparagraphs (A) and (B)), exceeds

22 “(II) 50 percent of the total
23 grant assistance received by the stu-
24 dent under this title for the payment
25 period or period of enrollment.



1 “(ii) MINIMUM.—A student shall not
2 be required to return amounts of \$50 or
3 less.”; and

4 (7) in subsection (d), by striking “(a)(3)(B)(i)”
5 and inserting “(a)(3)(B)”.

6 **SEC. 2131. COLLEGE ACCESS INITIATIVE.**

7 Part G is further amended by inserting after section
8 485C (20 U.S.C. 1092c) the following new section:

9 **“SEC. 485D. COLLEGE ACCESS INITIATIVE.**

10 “(a) STATE-BY-STATE INFORMATION.—The Sec-
11 retary shall direct each guaranty agency with which the
12 Secretary has an agreement under section 428(c) to pro-
13 vide to the Secretary the information necessary for the de-
14 velopment of web links and access for students and fami-
15 lies to a comprehensive listing of the postsecondary edu-
16 cation opportunities, programs, publications, Internet Web
17 sites, and other services available in the States for which
18 such agency serves as the designated guarantor.

19 “(b) GUARANTY AGENCY ACTIVITIES.—

20 “(1) PLAN AND ACTIVITY REQUIRED.—Each
21 guaranty agency with which the Secretary has an
22 agreement under section 428(c) shall develop a plan
23 and undertake the activity necessary to gather the
24 information required under subsection (a) and to
25 make such information available to the public and to



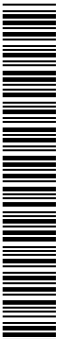
1 the Secretary in a form and manner as prescribed
2 by the Secretary.

3 “(2) ACTIVITIES.—Each guaranty agency shall
4 undertake such activities as are necessary to pro-
5 mote access to postsecondary education for students
6 through providing information on college planning,
7 career preparation, and paying for college. The guar-
8 anty agency shall publicize such information and co-
9 ordinate such activities with other entities that ei-
10 ther provide or distribute such information in the
11 States for which such guaranty agency serves as the
12 designated guarantor.

13 “(3) FUNDING.—The activities required by this
14 section may be funded from the guaranty agency’s
15 operating account established pursuant to section
16 422B and, to the extent funds remain, from earn-
17 ings on the restricted account established pursuant
18 to section 422(h)(4).

19 “(c) ACCESS TO INFORMATION.—

20 “(1) SECRETARY’S RESPONSIBILITY.—The Sec-
21 retary shall ensure the availability of the information
22 provided by the guaranty agencies in accordance
23 with this section to students, parents, and other in-
24 terested individuals, through web links or other
25 methods prescribed by the Secretary.



1 “(2) GUARANTY AGENCY RESPONSIBILITY.—

2 The guaranty agencies shall ensure that the infor-
3 mation required by this section is available without
4 charge in printed format for students and parents
5 requesting such information.

6 “(3) PUBLICITY.—Within 270 days after the
7 date of enactment of the Higher Education Budget
8 Reconciliation Act of 2005, the Secretary and guar-
9 anty agencies shall publicize the availability of the
10 information required by this section, with special
11 emphasis on ensuring that populations that are tra-
12 ditionally underrepresented in postsecondary edu-
13 cation are made aware of the availability of such in-
14 formation.”.

15 **SEC. 2132. CANCELLATION OF STUDENT LOAN INDEBTED-**
16 **NESS FOR SURVIVORS OF VICTIMS OF THE**
17 **SEPTEMBER 11, 2001, ATTACKS.**

18 (a) DEFINITIONS.—For purposes of this section:

19 (1) ELIGIBLE PUBLIC SERVANT.—The term “el-
20 igible public servant” means an individual who, as
21 determined in accordance with regulations of the
22 Secretary—

23 (A) served as a police officer, firefighter,
24 other safety or rescue personnel, or as a mem-
25 ber of the Armed Forces; and



1 (B) died (or dies) or became (or becomes)
2 permanently and totally disabled due to injuries
3 suffered in the terrorist attacks on September
4 11, 2001.

5 (2) ELIGIBLE VICTIM.—The term “eligible vic-
6 tim” means an individual who, as determined in ac-
7 cordance with regulations of the Secretary, died (or
8 dies) or became (or becomes) permanently and to-
9 tally disabled due to injuries suffered in the terrorist
10 attacks on September 11, 2001.

11 (3) ELIGIBLE PARENT.—The term “eligible
12 parent” means the parent of an eligible victim if—

13 (A) the parent owes a Federal student loan
14 that is a consolidation loan that was used to
15 repay a PLUS loan incurred on behalf of such
16 eligible victim; or

17 (B) the parent owes a Federal student loan
18 that is a PLUS loan incurred on behalf of an
19 eligible victim.

20 (4) SECRETARY.—The term “Secretary” means
21 the Secretary of Education.

22 (5) FEDERAL STUDENT LOAN.—The term
23 “Federal student loan” means any loan made, in-
24 sured, or guaranteed under part B, D, or E of title
25 IV of the Higher Education Act of 1965.



1 (b) RELIEF FROM INDEBTEDNESS.—

2 (1) IN GENERAL.—The Secretary shall provide
3 for the discharge or cancellation of—

4 (A) the Federal student loan indebtedness
5 of the spouse of an eligible public servant, as
6 determined in accordance with regulations of
7 the Secretary, including any consolidation loan
8 that was used jointly by the eligible public serv-
9 ant and his or her spouse to repay the Federal
10 student loans of the spouse and the eligible
11 public servant;

12 (B) the portion incurred on behalf of the
13 eligible victim (other than an eligible public
14 servant), of a Federal student loan that is a
15 consolidation loan that was used jointly by the
16 eligible victim and his or her spouse, as deter-
17 mined in accordance with regulations of the
18 Secretary, to repay the Federal student loans of
19 the eligible victim and his or her spouse;

20 (C) the portion of the consolidation loan
21 indebtedness of an eligible parent that was in-
22 curred on behalf of an eligible victim; and

23 (D) the PLUS loan indebtedness of an eli-
24 gible parent that was incurred on behalf of an
25 eligible victim.



1 (2) METHOD OF DISCHARGE OR CANCELLA-
2 TION.—A loan required to be discharged or canceled
3 under paragraph (1) shall be discharged or canceled
4 by the method used under section 437(a), 455(a)(1),
5 or 464(c)(1)(F) of the Higher Education Act of
6 1965 (20 U.S.C. 1087(a), 1087e(a)(1),
7 1087dd(c)(1)(F)), whichever is applicable to such
8 loan.

9 (c) FACILITATION OF CLAIMS.—The Secretary
10 shall—

11 (1) establish procedures for the filing of appli-
12 cations for discharge or cancellation under this sec-
13 tion by regulations that shall be prescribed and pub-
14 lished within 90 days after the date of enactment of
15 this Act and without regard to the requirements of
16 section 553 of title 5, United States Code; and

17 (2) take such actions as may be necessary to
18 publicize the availability of discharge or cancellation
19 of Federal student loan indebtedness under this sec-
20 tion.

21 (d) AVAILABILITY OF FUNDS FOR PAYMENTS.—
22 Funds available for the purposes of making payments to
23 lenders in accordance with section 437(a) for the dis-
24 charge of indebtedness of deceased or disabled individuals



1 shall be available for making payments under section
2 437(a) to lenders of loans as required by this section.

3 (e) APPLICABLE TO OUTSTANDING DEBT.—The pro-
4 visions of this section shall be applied to discharge or can-
5 cel only Federal student loans (including consolidation
6 loans) on which amounts were owed on September 11,
7 2001. Nothing in this section shall be construed to author-
8 ize any refunding of any repayment of a loan.

9 **SEC. 2133. DISBURSEMENT OF STUDENT LOANS.**

10 Section 422(d) of the Higher Education Amendments
11 of 1998 (Public Law 105–244; 112 Stat. 1696) is amend-
12 ed by adding at the end the following new sentence: “Such
13 amendments shall also be effective on and after July 1,
14 2006.”.

15 **PART 2—HIGHER EDUCATION RELIEF**

16 **SEC. 2141. REFERENCES.**

17 References in this part to “the Act” are references
18 to the Higher Education Act of 1965 (20 U.S.C. 1001
19 et seq.).

20 **SEC. 2142. WAIVERS AND MODIFICATIONS.**

21 Notwithstanding any other provision of law, unless
22 enacted with specific reference to this section, the Sec-
23 retary of Education is authorized to waive or modify any
24 statutory or regulatory provision applicable to the student
25 financial assistance programs under title IV of the Act,



1 or any student or institutional eligibility provisions in the
2 Act, as the Secretary of Education deems necessary in
3 connection with a Gulf hurricane disaster to ensure that—

4 (1) the calculation of expected family contribu-
5 tion under section 474 of the Act used in the deter-
6 mination of need for student financial assistance
7 under title IV of the Act for any affected student
8 (and the determination of such need for his or her
9 family, if applicable), is modified to reflect any
10 changes in the financial condition of such affected
11 student and his or her family resulting from a Gulf
12 hurricane disaster; and

13 (2) institutions of higher education, systems of
14 institutions, or consortia of institutions that are lo-
15 cated in an area affected by a Gulf hurricane dis-
16 aster, or that are serving affected students, are eligi-
17 ble, notwithstanding section 486(d) of the Act, to
18 apply for participation in the distance education
19 demonstration program under section 486 of the
20 Act, except that the Secretary of Education shall in-
21 clude in reports under section 486(f) of the Act an
22 identification of those institutions, systems, and con-
23 sortia that were granted participation in the dem-
24 onstration program due to a Gulf hurricane disaster.



1 **SEC. 2143. CANCELLATION OF INSTITUTIONAL REPAYMENT**
2 **BY COLLEGES AND UNIVERSITIES AFFECTED**
3 **BY A GULF HURRICANE DISASTER.**

4 Notwithstanding any provision of title IV of the Act
5 or any regulation issued thereunder, the Secretary of Edu-
6 cation shall cancel any obligation of an affected institution
7 to return or repay any funds the institution received be-
8 fore the date of enactment of this Act for, or on behalf
9 of, its students under subpart 1 or 3 of part A or parts
10 B, C, D, or E of title IV of the Act for any cancelled
11 enrollment period.

12 **SEC. 2144. CANCELLATION OF STUDENT LOANS FOR CAN-**
13 **CELLED ENROLLMENT PERIODS.**

14 (a) LOAN FORGIVENESS AUTHORIZED.—Notwith-
15 standing any provision of title IV of the Act, the Secretary
16 shall discharge all loan amounts under parts B and D of
17 title IV of the Act, and cancel any loan made under part
18 E of such title, disbursed to, or on behalf of, an affected
19 student for a cancelled enrollment period.

20 (b) REIMBURSEMENT.—The Secretary of Education
21 shall—

22 (1) reimburse each affected institution for any
23 amounts discharged under subsection (a) with re-
24 spect to a loan under part E of title IV of the Act
25 in the same manner as is required by section 465(b)



1 of the Act with respect to a loan cancelled under sec-
2 tion 465(a) of the Act; and

3 (2) reimburse lenders for the purpose of dis-
4 charging any loan amounts disbursed to, or on be-
5 half of, an affected student under part B of title IV
6 of the Act for a cancelled enrollment period.

7 (c) LIMITATION ON CONSOLIDATION LOANS.—A loan
8 amount for a loan made under section 428C of the Act
9 or a Federal Direct Consolidation Loan may be eligible
10 for discharge under this section only to the extent that
11 such loan amount was used to repay a loan to an affected
12 student for a cancelled enrollment period.

13 (d) CONSTRUCTION.—Nothing in this section shall be
14 construed to authorize any refunding of any repayment
15 of a loan.

16 **SEC. 2145. TEMPORARY DEFERMENT OF STUDENT LOAN**
17 **REPAYMENT.**

18 An affected individual who is a borrower of a quali-
19 fied student loan or a qualified parent loan shall be grant-
20 ed a deferment, not in excess of 6 months, during which
21 periodic installments of principal need not be paid, and
22 interest—

23 (1) shall accrue and be paid by the Secretary,
24 in the case of a loan made under section 428, 428B,
25 428C, or 428H of the Act;



1 (2) shall accrue and be paid by the Secretary
2 to the Perkins loan fund held by the institution of
3 higher education that made the loan, in the case of
4 a loan made under part E of title IV of the Act; and
5 (3) shall not accrue, in the case of a Federal
6 Direct Loan made under part D of such title.

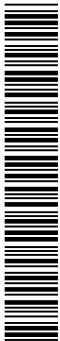
7 **SEC. 2146. NO AFFECT ON GRANT AND LOAN LIMITS.**

8 Notwithstanding any provision of title IV of the Act
9 or any regulation issued thereunder, no grant or loan
10 funds received by an affected student under title IV of
11 the Act for a cancelled enrollment period shall be counted
12 against such affected student's annual or aggregate grant
13 or loan limits for the receipt of grants or loans under that
14 title.

15 **SEC. 2147. TEACHER LOAN RELIEF.**

16 The Secretary of Education may waive the require-
17 ment of sections 428J(b)(1) and 460(b)(1)(A) of the
18 Higher Education Act of 1965 that the 5 years of quali-
19 fying service be consecutive academic years for any teach-
20 er whose employment was interrupted if—

21 (1) the teacher was employed in qualifying serv-
22 ice, at the time of a Gulf hurricane disaster, in a
23 school located in an area affected by a Gulf hurri-
24 cane disaster; and



1 (2) the teacher resumes qualifying service not
2 later than the beginning of academic year 2006–
3 2007 in that school or any other school in which em-
4 ployment is qualifying service under such section.

5 **SEC. 2148. EXPANDING INFORMATION DISSEMINATION RE-**
6 **GARDING ELIGIBILITY FOR PELL GRANTS.**

7 (a) IN GENERAL.—The Secretary of Education shall
8 make special efforts, in conjunction with State efforts, to
9 notify affected students and if applicable, their parents,
10 who qualify for means-tested Federal benefit programs, of
11 their potential eligibility for a maximum Pell Grant, and
12 shall disseminate such informational materials as the Sec-
13 retary of Education deems appropriate.

14 (b) MEANS-TESTED FEDERAL BENEFIT PRO-
15 GRAM.—For the purpose of this section, the term “means-
16 tested Federal benefit program” means a mandatory
17 spending program of the Federal Government, other than
18 a program under the Act, in which eligibility for the pro-
19 gram’s benefits, or the amount of such benefits, or both,
20 are determined on the basis of income or resources of the
21 individual or family seeking the benefit, and may include
22 such programs as the supplemental security income pro-
23 gram under title XVI of the Social Security Act, the food
24 stamp program under the Food Stamp Act of 1977, the
25 free and reduced price school lunch program established



1 under the Richard B. Russell National School Lunch Act,
2 the temporary assistance to needy families program estab-
3 lished under part A of title IV of the Social Security Act,
4 and the women, infants, and children program established
5 under section 17 of the Child Nutrition Act of 1966, and
6 other programs identified by the Secretary of Education.

7 **SEC. 2149. PROCEDURES.**

8 (a) DEADLINES AND PROCEDURES.—Sections 482(c)
9 and 492 of the Act (20 U.S.C. 1089(c), 1098a) shall not
10 apply to any waivers, modifications, or actions initiated
11 by the Secretary of Education under this part.

12 (b) CASE-BY-CASE BASIS.—The Secretary of Edu-
13 cation is not required to exercise any waiver or modifica-
14 tion authority under this part on a case-by-case basis.

15 **SEC. 2150. TERMINATION OF AUTHORITY.**

16 The authority of the Secretary of Education to issue
17 waivers or modifications under this part shall expire at
18 the conclusion of the 2005–2006 academic year, but the
19 expiration of such authority shall not affect the continuing
20 validity of any such waivers or modifications after such
21 academic year.

